Creating Tomorrow's Value From
A Century Of Experience

100

GATX

GATX Corporation 1997 Annual Report

1898

100 Years: Reaching a centennial milestone is a significant accomplishment, and it is appropriately the theme of this annual report. The employees of GATX join me in celebrating a feat achieved by relatively few companies. It demonstrates the strength, adaptability, and creativity of GATX. And it brings home the fact that we have a one hundred year history of commitment to shareholders, customers, partners, employees and the communities in which we operate. However, the real importance of the centennial is not in celebrating the past. Instead, we enter our centennial year energized for the future as a better competitor, a better employer, a better partner, a better citizen and a better investment. The knowledge, experience, and strength that we have built up over the previous century is invaluable, and we fully intend to capitalize on it.

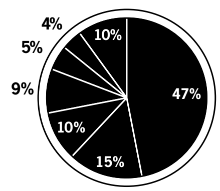
1998

Ronald H. Zech

Ronald H. Zech, Chairman of GATX on behalf of the employees of GATX

◄ *Corporate Overview on Foldout*

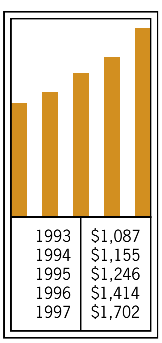
In Millions, Except For Per Share Data	1997	1996	1995
Gross income	$1,701.9	$1,414.4	$ 1,246.4
Income before provision for restructuring	111.9	102.7	100.8
Net (loss) income	(50.9)	102.7	100.8
Common shares outstanding at year end	24.5	20.3	20.1
Per common share			
Income before provision for restructuring			
Basic	$ 4.67	$ 4.43	$ 4.38
Diluted	4.51	4.20	4.14
Net (loss) income			
Basic	(2.55)	4.43	4.38
Diluted	(2.55)	4.20	4.14
Dividends declared	1.84	1.72	1.60
Year-end stock price	72.56	48.50	48.625
Total assets	$4,947.8	$4,750.2	$ 4,042.9



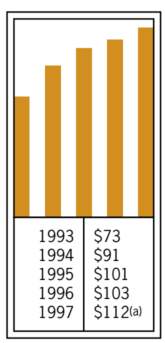
GATX Distribution
Of Assets

Railcars—47%
Terminals & Pipelines—15%
Aircraft—10%
Information Technology—9%
Marine—5%
Warehouses—4%
Other—10%

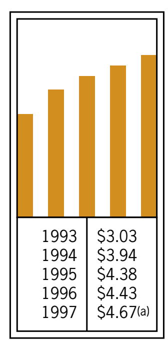
Gross Income
Dollars In Millions



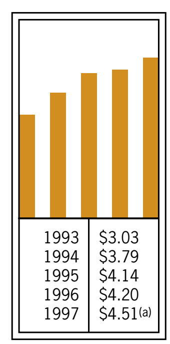
Income
Dollars In Millions



Basic Earnings
Per Share
In Dollars



Diluted Earnings
Per Share
In Dollars



Excludes effect of $163 million after-tax restructuring charge which resulted in Basic and Diluted Earnings Per Share of ($2.55).

In last year's annual report, GATX identified four key initiatives designed to provide a strong return to our shareholders. This year we have added a fifth initiative to the list.

I.
Focus On Growth

II.
Work Our Capital Harder And Smarter

III.
Broaden And Deepen Customer Relationships

IV.
Raise Performance Standards And Tie Compensation To Performance

V.
Leverage Intercompany Capabilities

The initiative to leverage intercompany capabilities is well underway, and the impact of our intercompany efforts has been and will continue to be dramatic. Because of the importance of this initiative and because the distinct lines which have traditionally separated our operating companies have become less meaningful, we are presenting the company's services in this annual report by lines of business.

Rail

Supply Chain

Air

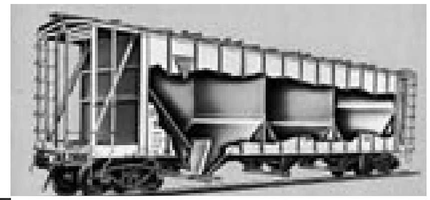
Marine

Technology

Structured Finance

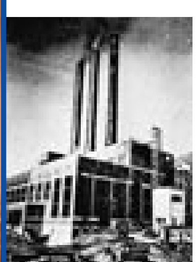
	RAIL	SUPPLY CHAIN	AIR
GATX			
SERVICES	► Provide railcars and locomotives to railroads and shippers ► Serving chemical, petroleum, coal, food and other freight markets ► Full range of lease offerings ► Full service maintenance and repair ► Fleet management	► Bulk liquid storage and distribution services ► Pipeline connections and distribution ► Extensive third-party integrated logistics services for chemical, petrochemical, petroleum and dry products ► Remote tank monitoring ► Vendor managed inventory	► Aircraft operating leasing ► Full range of financial services for commercial jet aircraft market ► Aircraft remarketing ► Aircraft portfolio management ► Equipment consulting and evaluation
STRENGTHS	► Complete network of North American leasing and service capabilities ► Growing presence in European leasing market ► Service centers provide complete range of repairs and fast service ► Key partner relationships	► Extensive global network of bulk liquid storage and distribution systems ► Reputation for top customer service and environmental safety ► Excellent technology and systems for managing inventory	► Diversified portfolio concentrated in newer, narrow-body aircraft ► Strong relationships with aircraft manufacturers and domestic and international carriers ► Over 30 years of experience in aircraft leasing and remarketing
STRATEGIES	► Provide customers with one-stop service for all railcar leasing needs ► Increase in-service time ► Continually upgrade information capabilities ► Expand rail logistics services ► International expansion	► Focus on facilities that provide a critical link within the liquid supply/distribution chain ► Continue to develop global relationships ► Capitalize on environmental expertise ► Expand share of each customers' logistics business	► Actively manage the aircraft portfolios for the benefit of GATX and its partners ► Focus on aircraft types in which GATX has extensive experience ► Capitalize on remarketing skills
KEY FACTS	► Largest North American tank car lessor ► Own/manage/interest in over 130,000 railcars ► Through ownership and ventures have interest in more than 950 locomotives ► Eight service centers across U.S., Canada, and Mexico	► Largest U.S. independent bulk liquid storage company ► Interests in three refined product pipelines in growing regional markets ► One of the top 10 contract logistics providers in the U.S.	► Fourth largest aircraft operating lessor worldwide ► Interests in over 100 commercial jet aircraft ► Aircraft on lease to a diverse list of domestic and international carriers

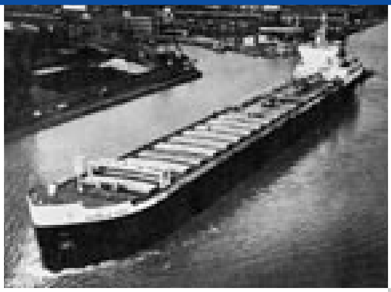
	MARINE	TECHNOLOGY	STRUCTURED FINANCE
GATX			
SERVICES	► Great Lakes shipping primarily serving the iron ore, coal, and limestone aggregate markets ► Provide self-unloading technologies for marine applications ► Financial services for barge, tug/tow, and other marine asset operators	► Full range of information-technology leasing solutions ► Provide technology asset management ► Leading provider of communications network and equipment services	► Investment origination in rail, air, technology, other equipment assets ► Secondary lease market acquisitions ► Portfolio management for institutional clients ► Structuring of tax-advantaged and cross-border financings
STRENGTHS	► Dependable and environmentally safe transportation for dry bulk commodities on the Great Lakes ► Reputation as a leading service provider to Great Lakes shippers ► Combination of operating and financial expertise related to marine assets	► Experienced in key areas of information technology leasing ► Marketing presence in the U.S., Canada, and Europe ► Knowledge of clients' sophisticated technology systems and leasing needs	► History of financial and operating experience in core asset categories ► Combination of asset knowledge and financial structuring skills ► Over 20 years of participation in secondary lease market
STRATEGIES	► Provide customers on the Great Lakes with quality service at competitive prices ► Leverage Great Lakes operating experience by selectively pursuing other marine opportunities ► Grow the portfolio of marine-related assets on lease to third parties	► Further develop single-source information technology leasing services ► Continue extending domestic capabilities across North America ► Expand capabilities to Europe and selected overseas markets	► Continue originating investment opportunities for GATX and its partners ► Expand the base of financial and strategic partners ► Grow our intellectual capital
KEY FACTS	► Modern fleet of 11 self-unloading vessels serving the Great Lakes ► Largest capacity of any U.S. Great Lakes fleet ► Over $300 million of marine-related assets	► Marketing support provided by 20 offices across the U.S., Canada and Europe ► Over $500 million of technology-related assets on lease to corporate clients ► Ranked #4 of 2,500 companies surveyed by PCWeek magazine in service support	► Originated and closed largest single investment in GATX history, $368 million ► Manage third-party portfolios totaling $4.9 billion ► Successfully advised/structured cross-company financings

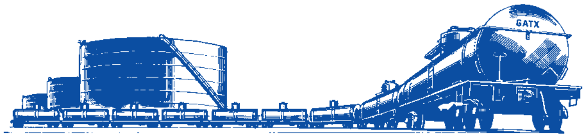



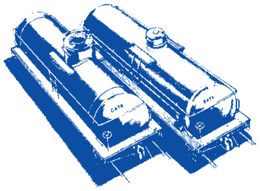

GATX

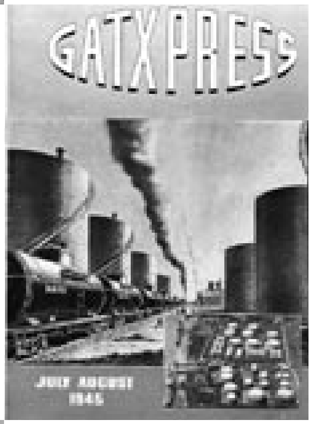












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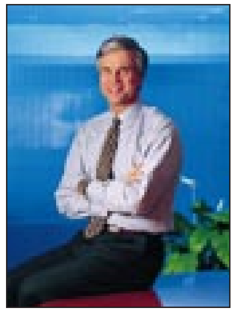
LETTER FROM THE CHAIRMAN & CEO



RONALD H. ZECH
Chairman and Chief Executive Officer

Since its first contract to lease 20 refrigerated cars in 1898, GATX has combined assets, services and problem-solving skills to help its customers compete more effectively.

At GATX, our goal is to provide attractive returns to our shareholders. In 1997, we had great success in achieving this goal with a total return of 54 percent. This letter will discuss the reasons for that success and the strategies that we believe will continue to create attractive returns for our shareholders, a growing range of services for our customers and partners, and increasing opportunities for our employees. Often, annual report letters thank employees in the concluding paragraph after a discussion of operations. I would like to emphasize up front the importance of what our team accomplished this past year and to thank them on behalf of all our owners. I use the word "team" very purposefully because, as I will discuss later, teamwork among our various operations reached new levels and had a lot to do with our success in 1997 and our optimism for the future.

On an operational basis, GATX achieved record results in 1997, as did four of our five operating companies. However, we also concluded that it was time to address some asset valuation issues in two parts of the company. We made a number of strategic decisions which improve the outlook for the future but which resulted in a substantial non-cash charge. As a result of the charge, we reported a net loss for the year. Before the restructuring charge, consolidated income totaled $112 million, a $9 million increase over 1996.

Last year, I set out four key initiatives designed to provide a strong return to our shareholders. A good portion of this letter will be devoted to reporting on our progress in pursuing those initiatives and to discuss the impact they have already had and will have in the future. First, however, I would like to highlight some of the key developments in each of our operating companies.

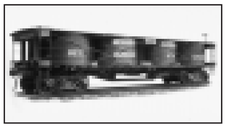
1997 Results We are particularly pleased with the third consecutive year of record net income and strong growth achieved by GATX Capital. GATX Capital's net income grew by 17 percent and its return on common equity was an outstanding 23 percent. These results reflected strong rail and air markets, fee income from structured financing transactions, record asset remarketing income from the sale of owned and managed assets, and excellent performance of the investment portfolio. Capital funded a record level of new investments including the largest single transaction in its history, the acquisition of a portfolio of leases from Pitney Bowes Financial Services. Also, GATX Capital acquired the remaining interest in its rapidly growing technology leasing subsidiary, Sun Financial Group. In addition, GATX Capital and Lombard North Central Plc expanded their existing partnership and formed a joint venture to provide operating lease financing and other services to the U.K. rail industry.

General American Transportation reported a record year, with an increase in net income of 10 percent. General American Transportation's North American fleet size grew by more than 3,600 railcars to a total of more than 81,000 railcars, a record number. It also completed the acquisition of an interest in a European tank car leasing company, an important step in our strategy to expand globally. It was a year of good performance by our operations in the U.S. and Canada, with lease rate increases in our railcar fleet, improved repair cost margins, and increased fleet utilization all contributing to improved earnings. A lower than expected contribution from Mexico was a disappointment. During the year, General American Transportation successfully completed a comprehensive strategic planning process that defines its future vision as being "The leading provider of rail transportation solutions worldwide." The key changes from the previous plan are the increased focus on a wide range of exciting international opportunities and on providing a substantially broader range of transportation and logistics services and solutions to its customers.

During the past few years, GATX Terminals has faced very difficult market challenges. In 1997, we took a number of strategic and operational steps and incurred a restructuring charge to address this changed market environment. A substantial portion of the charge related to terminal assets which were no longer economically competitive or of strategic importance to our customers. Since our announcement this past December of our intention to take aggressive steps to revitalize this operation, we have begun to sell or close our Staten Island terminal and certain of our U.K. terminal assets, and we have made a number of other important operational and organizational changes. In spite of these challenges, there are many opportunities for GATX Terminals, a world leader which is well positioned in the distribution channels for strategically important petroleum and chemical commodities, as shown by the following examples. First, we are about to complete the construction of another "terminal within a terminal," the second such project for one of our long standing customers. Second, we have agreed to enlarge the capacity of one of our most strategic locations to make it the sole injection point for a major new pipeline. In addition, GATX Terminals is working more closely with other operating companies of GATX to develop a broader range of logistics capabilities to expand the range of services we provide to our customers.

American Steamship Company achieved sharply increased net income by capitalizing on improved market conditions, favorable weather, increased vessel utilization as well as fee income which was earned by working closely

1898
Max Epstein arranges to lease 20 refrigerated rail cars, and the Atlantic Seaboard Dispatch, predecessor to GATX, is created.



1903
The company completes its first equipment trust certificate financing. Named the "Pittsburgh Method" of financing, this structure later became an industry standard.

1916
The company lists its stock on the New York Stock Exchange as General American Tank Car Corporation.

with GATX Capital.

The improved operating results at GATX Logistics resulted from increased business with a number of key existing customers, the continuing implementation of our strategy to exit the public warehouse market, a focus on longer-term integrated logistics solutions, and reinvestment of GATX Logistics' cash flow. A portion of the charge taken by GATX this year resulted from writing off goodwill related to past acquisitions in the public warehousing sector.

Return to Shareholders GATX had an outstanding year in 1997, providing its shareholders with a total return of 54 percent. This performance exceeded the performance of the S&P 500 and S&P MidCap 400 indices. On a five year basis, GATX has provided its shareholders with a compound annual return of 21 percent, also ahead of the indices. The strategies outlined within this report are designed to continue providing shareholders with an attractive return on their investment.

Key Initiatives This year we are introducing a new initiative, *Leveraging Intercompany Capabilities*, to reflect the importance of this strategy to GATX. Our operating companies share many customers and have capabilities that could be valuable to other parts of the company. Yet we have tended to operate independently. We are learning to capitalize on communication and collaboration between all parts of the company to utilize the people and skills existing throughout the company to achieve more and to better serve our customers.

The most significant result of this intercompany approach is the formation of the GATX Rail Group. The GATX Rail Group will bring the combined strengths of General American Transportation and GATX Capital's rail group together to create the most capable organization of its type in the world. As you will see in the following portions of this annual report, this new marketing entity will be the "face" of GATX to all of our rail-equipment related customers and partners.

Operating company efforts to grow through expanded share of our existing customers' distribution requirements are also enhanced by our efforts to collaborate across companies. During 1997, we made significant progress in encouraging lead generation and joint marketing between operating companies by creating explicit sales incentives, sharing information, and providing increased sales training. This seems fairly obvious, but it has required a significant cultural change. I am pleased to report that we are beginning to see it work.

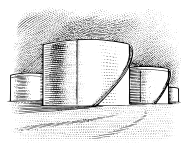
We have also made substantial progress on the four initiatives outlined in last year's annual report:

I. Focus On Growth Long-term, consistent growth is a critical strategic objective for GATX, and we are pursuing growth opportunities aggressively. New resources specifically dedicated to growth have been added at each operating company, and we are developing new business possibilities that result from improved intercompany cooperation.

International expansion is a major focus and has received increased

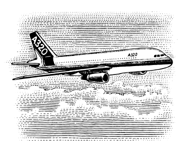
1925

The first petroleum storage and distribution facility is opened. From this base, GATX Terminals goes on to establish operations around the world.



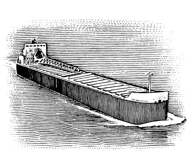
1968

GATX Capital is founded and the company begins with an initial focus on commercial aircraft financing.



1973

American Steamship Company is acquired, serving the iron ore and coal industries on the Great Lakes.



emphasis. The most visible result of these efforts this year was the acquisition of an interest in KVG Kesselwagen Vermietgesellschaft mbH, a tank car leasing company based in Germany and Austria. General American Transportation Corporation purchased a 40 percent interest in KVG with an option to increase its ownership interest. Since its founding in 1991, KVG has become one of the leading leasing companies for tank and specialty pressurized cars in Europe, with a fleet of approximately 9,400 railcars. With GATX, KVG is positioned to take a leading role in the changing business of railway transport with privately owned tank cars in Europe. This purchase will enhance the operations of both GATX and KVG, as well as complement GATX's existing railcar investment in Europe, AAE Cargo. Also during the year, we formed a partnership with Lombard North Central to lease and operate freight and passenger rail equipment in the U.K. In a number of countries around the world, rail freight and passenger infrastructure is being privatized or rationalized. The GATX Rail Group will be there to apply a century of experience in providing asset, financial, and logistics expertise to the rail industry.

Other examples of international growth include logistics opportunities in Latin America and the continued expansion of our international leasing activities. Many of our customers, particularly at GATX Terminals, have significant needs for assistance in managing the distribution of their products in growing markets in Asia and Latin America. An important element of our strategy is to follow existing customers into international markets, often with a respected local partner and long term contractual commitments. Through this balance with customers and partners, we can bring our expertise and capital to these markets while mitigating the risks in foreign expansion.

One of the most interesting growth avenues we are pursuing centers around our efforts to capitalize on the century of experience which GATX has in handling liquids for customers. We are well positioned to offer an extensive array of services to customers in the chemical and petroleum industries both domestically and internationally. We are focusing our initial efforts on railcar fleet management services, chemical supply chain design and outsourcing, and vendor managed inventory. We recently acquired a majority interest in Clover Systems, Inc., a leading supplier of Internet-based tank monitoring capabilities, a critical element in providing the data necessary for advanced liquid logistics applications.

GATX has steadily increased its presence and expertise in technology leasing markets over the past decade. GATX Capital has invested in technology equipment with an original cost of over $1 billion since the mid-'80s by acquiring companies or forming joint ventures with lessors of various equipment types. The consistent and rapid growth of computer networks, data and voice communication systems and desktop computers provides exciting opportunities for the companies now comprising GATX Capital's Technology Services Group. In 1997, we increased our ownership

1983
GATX outsources its railcar manufacturing business.

GATX

1992
GATX Corporation reaches a milestone as annual gross income surpasses $1.0 billion.

1997
GATX Corporation approaches its 100th anniversary with annual gross income in excess of $1.7 billion and total assets of approximately $5.0 billion.

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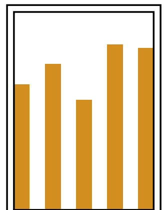
interest in Sun Financial, a lessor of technology equipment, to 100 percent. Sun's volume in 1997 increased by 105 percent.

In this annual report, we are separately discussing the Structured Finance Group—the investment banking arm of GATX. We have achieved increasing success in this group over the past several years. This group positions GATX Capital in niche businesses and identifies investment opportunities for GATX Capital and its partners. Structured Finance additionally plays a key role in identifying, developing and structuring new investments with the company's air, rail and technology groups. In addition, it is the primary area within GATX Capital which develops new joint ventures and portfolio management opportunities. The transactions completed, the portfolios managed, and the skills and creativity of this group are an important part of our current success and future growth strategies.

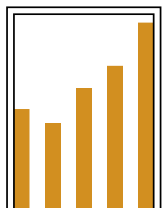
II. Work Our Capital Harder and Smarter We continue to implement programs to achieve my stated goal of working our capital more effectively. We are pursuing this objective on several fronts—some of which involve external actions and others which are focused on internal measurement and behavior. We have broad capabilities in asset selection and asset management. With these skills, we are pursuing opportunities that will increase the assets under our management without necessarily owning them with the attendant requirement for additional equity capital. We achieved two very

Cash From Operations
Dollars In Millions



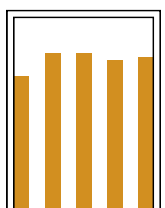
1993	$230
1994	$265
1995	$205
1996	$298
1997	$291

Portfolio Proceeds
Dollars In Millions



1993	$243
1994	$212
1995	$282
1996	$355
1997	$459

Return On Equity
In Percent



1993	12.7%
1994	14.6%
1995	14.6%
1996	13.8%
1997	14.0%(a)

(a) Excludes effect of $163 million after-tax restructuring charge. Including the charge, 1997 Return on Equity would be (7.1%).

important successes in 1997. The first was the development of a completely new securitization structure. The expansion of GATX's fleet of railcars has historically required substantial amounts of capital. This has been funded through a variety of recourse financing vehicles which have been done at attractive rates, but required increased equity support due to their recourse nature. The structure developed by a team from throughout the company enabled us to arrange the financing at attractive rates, but on a nonrecourse basis to GATX. This frees valuable equity capital for other uses. General American continues to manage these assets exactly as it does its owned fleet. The comprehensive services which General American supplies to its customers have always been, and will continue to be, the reason that General American manages the largest fleet of railroad tank cars in North America.

While this securitization involved a small portion of GATX's railcar fleet, we intend to use this structure, where appropriate, for future railcar deliveries and to explore application of this and other creative solutions to other GATX operations.

A second example is the development of a major new aircraft partnership to purchase Boeing 737 aircraft. Headed and managed by GATX, a group of international investors will purchase and place into service next generation Boeing 737 aircraft. This partnership structure increases the number of aircraft managed by GATX, allowing us to participate in this business on a scale that would be difficult to attain without a group of excellent partners.

Internally, we have taken steps to make the importance of equity capital better understood. We are explicitly charging for its use in evaluating operations and incorporating returns on all types of capital, including equity, in measuring results and in establishing incentive compensation targets. Finally, we are putting significant effort into evaluating the profitability of various asset types and customer groups to make certain we are focusing capital in the most attractive segments.

Improving our return on equity, reducing financing costs, and creatively adding assets on a managed basis are the primary keys to achieving higher returns for our shareholders.

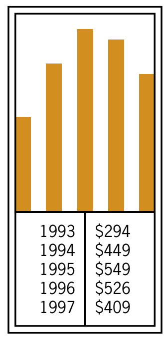
III. Broaden And Deepen Customer/Partner Relationships GATX's customers have relied on our company to provide critical services, assets and expertise for the past 100 years from which we have developed strong and lasting relationships. As a result, we have opportunities to build upon these relationships by increasing our share of certain target customers. First, GATX is focusing on certain key relationships with the greatest potential for growth and increased profitability, which again highlights the importance of our understanding of our customers' businesses. Second, we are building our capability to manage customer and partner relationships through training, incentives and targeted initiatives throughout GATX.

Third, we are focusing on managing customer and partner relationships through improved coordination and the launch of a number of cross-company commercial initiatives to provide our customers with services, products, and technology to make them more competitive in their respective industries. We are targeting our sales efforts on team selling and cross-company lead generation. By calling on customers as a single GATX entity, we are able to provide integrated solutions which create additional opportunities for our customers, and, in turn, we continue to focus resources to develop the skills necessary to manage a broader range of our customers' distribution needs through a number of services.

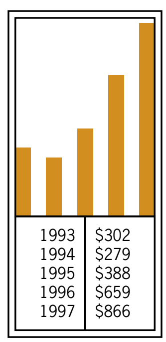
IV. Raise Performance Standards And Tie Compensation To Performance In 1997, we continued our efforts to develop improved criteria to measure GATX from an internal and external perspective. I have already stated that total return to shareholders is the main criteria by which GATX should be measured. In addition, we are developing other measures at all organizational and operating levels that support the overall objective. Compensation plans are being revised to emphasize measures focused on return and profitability rather than on size and with a greater range of outcomes depending on performance. We have instituted the use of activity based management and costing, and initiated "360-degree" performance evaluations.

We are making additional changes to compensation programs for our directors and employees that focus on equity ownership. All of GATX's independent board members receive

Capital Additions
Dollars In Millions



Portfolio Investments
Dollars In Millions

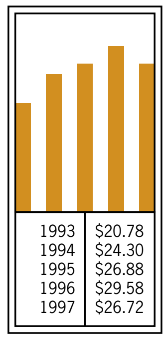


at least half of their compensation in the form of GATX common stock. We have instituted stock ownership guidelines for managers at various levels which result in a requirement that they own shares of GATX stock in amounts ranging from the equivalent of one-half to four years salary. The Senior Management Incentive Compensation Plan has been revised to be more dependent on the relative market performance of GATX's stock. Our goal is simple: to reward high levels of performance in a way that is aligned with shareholder interests.

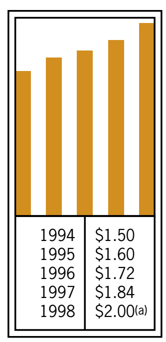
Dividend and Stock Split GATX has established an impressive record of paying quarterly dividends as well as raising the company's dividend on a consistent basis. The dividend has been an important part of our total return to shareholders. On January 30, 1998, we announced a nine percent increase in GATX's quarterly dividend to $.50 per common share. On an annual basis, this is an increase from $1.84 to $2.00 per common share. GATX has paid common dividends consistently for the past 79 years, a record that only a handful of companies can match. The increase in our dividend reflects GATX's consistently high cash flow and represents the 13th increase in as many years.

The Board also approved a two-for-one split of GATX's common stock which, subject to shareholder approval at the Annual Meeting, will become effective on June 1, 1998. We believe the two-for-one stock split will place GATX's stock in a more affordable trading range, thereby making it easier

Book Value
Per Share
In Dollars



Dividends Declared
Per Common Share
In Dollars



(a) Annualized

for our shareholders to purchase GATX shares. The stock split, combined with our dividend increase, highlights our continued confidence in the future strength and success of the company.

As you can tell from this annual report, GATX is both proud of its 100 years of service and excited by its future. Over this century, GATX has earned a reputation as a company that operates on ethical principles, that continually seeks to improve its services to customers and partners, that is environmentally responsible, and that treats its employees fairly. In order to celebrate our centennial anniversary, GATX has decided to promote the volunteerism of its employees and its support of not-for-profit activities in the communities in which GATX employees work and live. The rehabilitation of neighborhoods, tutoring, food drives, and the building of playgrounds will be long-term commemorative projects reflecting our company's long-standing involvement in the communities in which we live.

I want to thank our shareholders for their support this past year. The directors of GATX, and its management team, are committed to providing you with attractive returns, and I am looking forward to sharing the rewards from the initiatives discussed in this letter with you over the next several years.

Ronald H. Zech

Ronald H. Zech
Chairman and Chief Executive Officer

We are organizing the business narrative

GATX

section of this Annual Report by the com-

RAIL

pany's lines of business. We believe this

SUPPLY CHAIN

will help shareholders, investors, and

AIR

customers better understand the services

MARINE

GATX offers. The financial section of

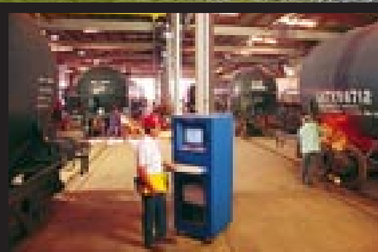
TECHNOLOGY

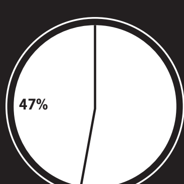
this Annual Report reviews the company's

STRUCTURED FINANCE

operations by subsidiary.

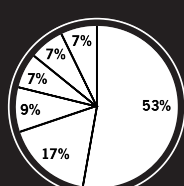
GATX maintains a network of eight railcar service centers across North America to meet its customers' maintenance needs. Technicians at the Waycross, Georgia, facility use advanced computer systems to identify repairs and expedite service. The blue, red, and green tank cars have been available to customers for ongoing seminars.





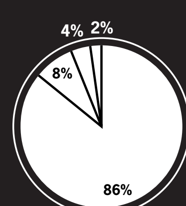
GATX Distribution
Of Assets

Rail—47%



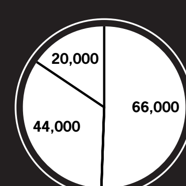
GATX Railcar Fleet
130,000 Cars

Tank Cars—53%
Covered Hoppers—17%
Coal Cars—9%
Grain Cars—7%
Boxcars & Gondolas—7%
Other—7%



GATX Rail Fleet
By Region

United States—86%
Canada—8%
Europe—4%
Mexico & Other—2%



Number of Railcars
Owned/Managed/Interest

66,000 General American
Transportation Tank Cars

44,000 GATX
Capital Railcars

20,000 General American
Transportation Freight Cars

GATX's rail business has been built by two of the GATX operating companies: General American Transportation Corporation and GATX Capital Corporation. With different heritages and approaches to the marketplace, these two companies have each grown to be major participants in the rail industry. Together, their activities encompass 130,000 railcars and 950 locomotives. In addition, GATX has significant partner relationships with suppliers, railroads, and financial institutions that result in a broad and deep service offering to customers.

The GATX Rail Group In 1997, "The GATX Rail Group" was formed as a combined marketing organization which will capitalize on the strengths, knowledge and capabilities of both General American and GATX Capital. By working together, GATX will be able to enjoy the benefits of growing its rail activities around a diverse set of skills while providing a powerhouse of combined capabilities to the market. The resulting approach will be both customer and asset focused with strong positions in the shipper and railroad segments of the market.

General American Transportation Railcars are the foundation of GATX, starting with the company's first transaction a century ago. From this beginning, General American's North American fleet has grown to more than 81,000 tank cars and specialty freight cars. Its tank car fleet is the largest in North America, offering more than 50 different car types designed to transport more than 700 commodities safely. Its diverse fleet includes a variety of general service cars and pressure cars, as well as its proprietary GATX TankTrain™ system. This bulk liquid delivery system utilizes a string

RAIL

The GATX owned and managed rail fleet is among the largest in the world, even including fleets owned by railroads. GATX provides railcars and locomotives to shippers and railroads, as well as a vast array of services to complement the assets.

of interconnected tank cars with flexible hoses designed to load and unload large volumes of liquid commodities quickly in a cost efficient, environmentally protected manner.

General American also offers a diversified fleet of specialty freight cars designed to transport a variety of dry bulk commodities including plastic pellets, fertilizers, grains and cement. Its proprietary GATX Airslide™ car can quickly and efficiently unload finely divided products such as flour, sugar and starch.

General American enjoys a strong relationship with Trinity Industries, Inc., North America's leading railcar builder. This close working relationship has enabled Trinity to be flexible and responsive to General American's needs in serving its customers while, at the same time, improving product quality.

General American seeks to maximize the in-service time of its customers' railcar fleets by providing an integrated service network throughout North America. Thirty-nine mobile repair units in twenty-eight locations can service its rail equipment directly in the field, thereby keeping the cars in service for its customers. When railcars need major repairs, General American offers a network of four one-stop service centers in the U.S. as well as repair centers in Canada and Mexico that can meet all of the requirements of railcar maintenance, including state-of-the-art, environmentally safe cleaning.

General American offers advanced cleaning for a variety of commodities at each of its four major domestic service centers. Engineers on-site have responsibility for product identification, process procedure, audit trails and waste disposal. These new, environmentally safe cleaning systems significantly reduce out-of-service time because railcars no longer need to be sent to a separate facility for cleaning prior to being repaired.

General American's Canadian operation, CGTX, operates 9,200 railcars, of which 4,700 are railroad tank cars. Additionally, CGTX operates three service facilities to maintain its railcar fleet. GATX believes that the rail industry in Canada offers substantial opportunity. A number of customers are seeking seamless service throughout North America, and CGTX is a key component for capitalizing on this opportunity. As GATX begins to define best practices across all of its operations, CGTX brings new railcar management skills to GATX and vice versa. In Mexico, General American operates a fleet of more than 1,200 railcars and owns a maintenance facility in Tierra Blanca.

In 1997, General American furthered its commitment to growth by expanding its market and service offerings to meet the needs of its customers and capitalize on the privatization and commercialization of the world's rail fleet.

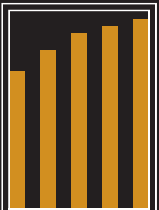
GATX Capital Profiting on its marketing, technical, management, and re-marketing skills, GATX Capital has a successful track record in buying, selling and leasing new and used rail assets. Currently, rail assets comprise the second-largest segment of GATX Capital's portfolio.

GATX Capital leases and remarkets railcars and locomotives for its own portfolio and for partners. Both a domestic and international presence are maintained, with particular interest in European and Australasian development. GATX Capital has a financial or management interest in approximately 44,000 railcars and 950 locomotives. Customers are primarily shippers, industrial users, and Class I, regional and short-line railroads. A portion of GATX Capital's locomotives are marketed through a joint venture with the EMD Division of General Motors to combine the strengths of the two companies in locomotive operating leasing, contract maintenance, and technical support in order to expand the scope, scale and quality of locomotive leasing products available to both existing and new customers.

GATX Capital's rail activities have historically been very successful by combining "hands-on" equipment and industry expertise with sophisticated financial structuring techniques. The benefit associated with this approach has been particularly evident in the strategic business partnerships that GATX Capital has formed with Kansas City Southern Industries, the EMD Division of General Motors, AAE Cargo in Europe and Lombard North Central in the U.K. This ability to invest knowledgeably in the operating equipment markets, while simultaneously participating in the financial markets, has allowed GATX Capital to creatively satisfy the requirements of its partners and customers. The development of the GATX Rail Group will expand and enhance this resource by making these skills available to all of GATX's rail customers on a global basis.

GATX and the Electro-Motive Division of General Motors Corporation partner together to manage a fleet of high quality locomotives. LLPX 2501 is currently on lease to U.S.-based RailTex, Inc. GATX's rail investments include a 25 percent interest in AAE Cargo, a European rail lessor. AAE's fleet includes the All-Door railcar.

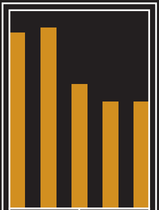
Total U.S. Rail Freight Volume
Billion Ton-Miles



1993	1,109
1994	1,201
1995	1,306
1996	1,360
1997	1,373

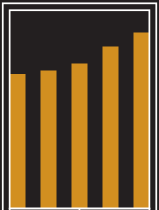
Source: Association of American Railroads

GATX Average Railcar Service Throughput
In Days



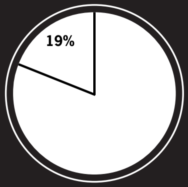
1993	52
1994	54
1995	38
1996	32
1997	32

GATX Railcar Fleet Size
Owned/Managed/Interest
In Thousands



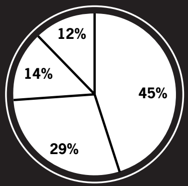
1993	102
1994	103
1995	106
1996	117
1997	130

A unique mix of service, asset, and environmental expertise allows GATX to help its customers address their most complex bulk-liquid and dry product logistics needs. Serving the petroleum and chemical markets, GATX's Tampa terminal highlights a combination of rail, marine, storage, and distribution services.



GATX Distribution
Of Assets

Supply Chain—19%



Supply Chain
Revenue Sources
During 1997

Dry Products—45%
Petroleum—29%
Chemical—14%
Pipelines & Other—12%

GATX has substantial capabilities in moving and storing customer products. GATX provides the assets and services that are necessary to help its customers move their products in a safe, cost-efficient manner. Additionally, GATX can re-engineer distribution processes for customers to naturally create value. These services include bulk liquid storage; terminalling and pipeline operations; tank car management; and dry logistics expertise. The integration of these services provides an opportunity to combine the skills that GATX has developed over the past century.

GATX Terminals With more than 600 million barrels of annual throughput, GATX Terminals Corporation is one of the world's largest providers of bulk liquid storage and distribution. GATX Terminals offers its petroleum and chemical customers a vast network of bulk liquid storage and pipeline distribution services. A combination of market factors and structural changes have affected recent results. However, GATX Terminals is addressing these challenges and is experiencing solid demand in its chemical and pipeline operations.

During 1997, GATX Terminals continued to add chemical capacity to its system. Chemical companies spend more than $60 billion worldwide, each year, for third-party transportation, distribution, and storage for bulk materials. GATX Terminals is pursuing this market with innovative solutions such as its "terminal within a terminal" system. Through this system, GATX Terminals partners with a chemical company to develop a dedicated facility within a terminal to meet that company's particular needs. While the partner provides financial support for any necessary capital outlays, GATX Terminals manages all services related to the facility. The net result is long term efficiency and market position for our customer and inclusion of GATX Terminals as a strategic partner. GATX Terminals and Union Carbide are scheduled to open a second "terminal within a terminal" partnership for our two companies at GATX's New York Harbor Terminal in the second quarter of 1998.

SUPPLY CHAIN

GATX is uniquely positioned to manage its customers' supply and distribution chains. This business involves the integration of a number of GATX's key services. Included in this group are GATX Terminals, GATX Logistics, Rail Logistics, and the Liquid Logistics Group.

GATX Terminals' pipeline operations serve two large growth markets of central Florida and Las Vegas. GATX Terminals has positioned itself as an integral component of the supply and distribution network within these markets.

Beginning in late 1995, the marketplace for the storage of bulk petroleum began to change. GATX Terminals' business environment experienced permanent structural changes which broadly reduced demand, increased cost and reduced pricing for U.S., European and Asian terminal storage and pipeline distribution markets. Petroleum refiners adopted new minimum inventory policies which, in turn, reduced the demand for petroleum storage. Initially, surplus tankage resulting from the lower inventory levels was placed in the public market. The lower level of storage has become permanent, and GATX does not believe it is likely to change because of the continuing impact of refining consolidation, alliances and repositioning. In certain markets, there is reduced demand from gasoline blenders due to changing federal and state requirements.

GATX Terminals restructured its operations to reflect the changed business environment. Business emphasis is now more focused on services, such as high-volume shipments, including pipeline and dock movements, and automation of processes and information services, rather than the historical storage business. GATX Terminals has initiated programs to work more closely with its customers and to develop interrelated operations. Opportunities for GATX are driven largely by the continuing trends to outsourcing and include needs by chemical companies for integrated solutions to move their products through the supply chain, as well as increased demand for information about where product is as it moves through the distribution chain.

In late 1997, GATX Terminals reported that it completed a strategic, operating and asset review. The review was undertaken in response to dramatic changes that have occurred in the petroleum storage industry. The review identified the facilities that are not necessary to meet strategic objectives and those whose value is impaired in light of the changed market circumstances.

Subsequent to the announcement of the strategic realignment, GATX Terminals announced that it would close or sell its Staten Island Terminal and certain of its U.K. terminal assets. In addition, several smaller facilities have been identified for closure or sale, and the process of completing this is underway.

Although the strategic realignment involved a number of difficult decisions, GATX Terminals today is better positioned to meet the complex needs of its petroleum and chemical customers.

GATX Logistics GATX Logistics provides integrated logistics services to a wide range of industries including automotive, health care, retail, and grocery. Companies use GATX Logistics to optimize the movement of their materials and products through the manufacturing and distribution process.

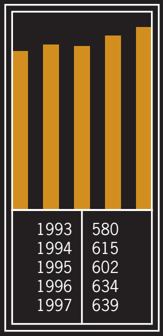
GATX Logistics continues to pursue its strategy of providing integrated solutions, under longer-term contracts. GATX Logistics is also striving to expand its share of business with top customers. As part of a process initiated previously, GATX Logistics continues to reduce its activities in the public warehousing market.

Rail Logistics As one of the world's largest bulk liquid storage operations and North America's biggest rail tank car leasing company, GATX is capitalizing on this knowledge by combining services for its customers. GATX's Rail Logistics Group provides an expanding menu of services for railcar shippers including: tracking/tracing; managing; procuring; storing; moving; freight rate negotiation; shipment management; equipment sourcing; fleet management and many other services. It is a specific example of how we are working with our customers as partners.

Liquid Logistics GATX has the logistics, asset, and environmental expertise necessary to help its customers integrate and manage their bulk liquid distribution needs. The bulk liquid logistics market presents GATX with a significant opportunity to combine its existing skills for the benefit of its customers. GATX recently acquired a majority interest in Clover Systems, Inc., a leading provider of remote tank monitoring equipment and services. Clover Systems markets monitoring systems which capture real-time inventory data at remote storage tanks. Its proprietary software analyzes data and creates product demand and usage profiles for a single tank or a network of tanks at multiple facilities. This is one example of GATX's ability to bundle services for its bulk liquid customers. In the year ahead GATX will implement an even broader range of services for bulk liquid customers.

The Tampa terminal is ideally located and equipped to accommodate ocean-going carriers. The Tampa terminal was the destination point for the AMERICAN PROGRESS on its maiden voyage in October, 1997. The AMERICAN PROGRESS, shown here transporting petroleum products, is one of the newest additions to Mobil Oil's fleet.

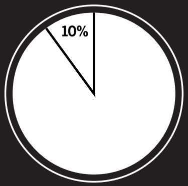
GATX Terminals Throughput
Millions Of Barrels Delivered



Average Month-End Inventory Days On Hand
U.S. Industry Distillate & Motor Fuel Inventories

Source: American Petroleum Institute

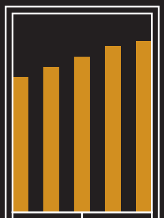
GATX has expanded its commercial jet aircraft fleet through the use of partnerships, including Boeing 737-800 Partners. This A321 was delivered to Air France following the Paris Air Show.



GATX Distribution
Of Assets

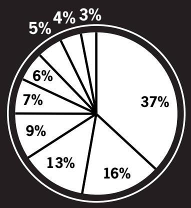
Air—10%

Global Revenue
Passenger Miles
In Billions



1993	1,406
1994	1,502
1995	1,601
1996	1,708
1997	1,779

Sources: 1993-1996: Boeing
Current Market Outlook
1997: Estimate



GATX Aircraft Investment
By Type Of Aircraft

A320-321—37%
A300-310—16%
MD-80/DC-9—13%
B757—9%
MD-11—7%
B767—6%
B-737—5%
DC-10—4%
B-747—3%

GATX Capital has established an outstanding reputation as the fourth largest independent aircraft operating leasing company in the world. As one of the most experienced commercial jet aircraft lessors in the industry, GATX Capital's Air Group meets the needs of emerging, growing and well-established airlines. Since its inception in 1968, the Air Group has established a proven track record in leasing, managing, and remarketing aircraft as well as obtaining tax-advantaged and conventional financing worldwide.

Commercial jet aircraft constitute the largest segment of GATX Capital's portfolio. GATX Capital owns and/or manages more than 100 commercial jet aircraft, on lease to over 35 domestic and international carriers. GATX's fleet of aircraft is diversified by manufacturer and type of aircraft, although the majority of aircraft are narrow-body, medium passenger capacity configurations which are the most flexible in the industry. The majority of GATX Capital's aircraft business activity is conducted through joint ventures, thereby maximizing the company's ability to control a greater pool of assets while also diversifying its fleet.

GATX Capital's strategy to grow its aircraft portfolio through partnerships has allowed it to diversify its fleet, lower its risk profile, and create enhanced returns through management fees and residual sharing. Joint venture partnerships have allowed GATX Capital to broaden its presence in the aircraft leasing market, at the same time achieving diversification in the overall GATX Capital portfolio. Aircraft investment constitutes 26 percent of GATX Capital's total assets.

AIR

GATX Air has the marketing, financial, and technical skills necessary to be a successful operating lessor of commercial jet aircraft. This infrastructure is critical for managing GATX Capital's air investments, and those of its partners, which include interests in over 100 commercial jet aircraft.

GATX Capital, together with investment partners, will add to its existing aircraft fleet by taking delivery of three newly manufactured Airbus A321-200 aircraft in 1998 as well as the first three deliveries of next generation Boeing 737-800 aircraft. The Boeing order consists of twelve firm and eight option aircraft. The B737-800 and A321s are outstanding replacement aircraft for the B727-200. They provide growth in capacity and range with significantly lower seat mile costs for existing 727 operators. GATX Capital's Air Group is responsible for a range of aspects of managing the aircraft investments owned by GATX and its partners, including purchases, initial placement with lessees, remarketing, financial structuring, and disposition.

The Air Group has the marketing, financial and technical skills to be among the best companies providing operating lease services for commercial aircraft. This blending of skills not only distinguishes GATX Capital from its competitors, but it gives us advantages in managing our fleet and attracting new partners.

GATX has developed a unique perspective on marine-related operations and financial transactions through two subsidiaries. American Steamship Company operates a fleet of Great Lakes vessels, while GATX Capital provides marine asset financing.

Great Lakes Shipping American Steamship Company provides customers with efficient waterborne transportation of dry-bulk commodities on the Great Lakes. American Steamship's 11 self-unloading vessels comprise the largest cargo capacity of any U.S. fleet on the Great Lakes. Customers rely on this modern fleet to meet their iron ore, coal, and limestone aggregate shipping requirements. Vessels range in size from 635 feet to 1000 feet, and are capable of transporting cargoes from 17,000 to 70,000 net tons.

Great Lakes shipping impacts major segments of the U.S. economy. The Midwest has 70 percent of all U.S. steel making capacity, as well as 50 percent of all automobile production. For many companies located in this region, transportation via the Great Lakes continues to be one of the safest, most efficient means of commodity transportation.

American Steamship transported 26.4 million net tons of cargo in 1997, a seven percent increase over 1996 that was supported by strong utility-related coal demand. American Steamship also benefited from favorable weather conditions throughout 1997. Taking advantage of warm winter weather and limited ice on the Lakes, American Steamship initiated service in March and operated through December.

MARINE

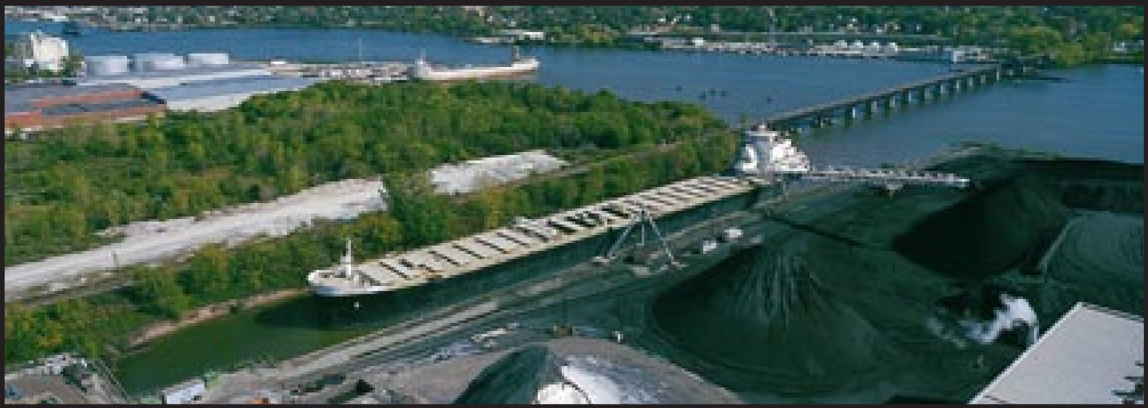
With 11 Great Lakes vessels, American Steamship Company operates the largest capacity fleet on the Great Lakes. In addition, GATX Capital provides lease and portfolio management services for a broad variety of marine assets including barges, tugs, and ships.

American Steamship transported 22 percent of all tonnage on the Great Lakes in 1997, a leading market share position that is based on long-term customer relationships, a keen understanding of shipping patterns, and extremely reliable service. American Steamship has built its outstanding reputation by working closely with customers to anticipate, rather than react to, their shipping needs.

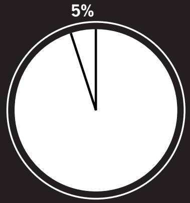
Marine Asset Financing GATX Capital continues to expand its marine asset financing business by focusing on the inland and coastal tug, tow, and barge markets as well as selected ocean-going vessels in conjunction with partners. GATX Capital can gain critical insight into marine transactions by combining its financial expertise with American Steamship's marine operating experience. GATX Capital provides an array of financial services including various leasing alternatives, tax-advantaged financing, portfolio management, and asset remarketing.

The global marine financing industry is a specialized market that generates an estimated $3 billion of leasing volume per year. GATX Capital currently has over $200 million of assets on lease to various tug, tow, and barge operators. GATX Capital will continue to use its extensive network of contacts in the marine industry to identify lease and remarketing opportunities.

Carrying iron ore, coal, and limestone aggregate, GATX's 11 self-unloading vessels are a common sight on the Great Lakes. The 634-foot M/V SAM LAUD, named after the man who started as a shop painter in 1916 and rose to president of GATX in 1945 and chairman in 1956, is capable of carrying 24,000 tons of cargo.

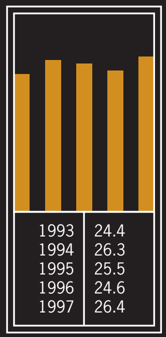


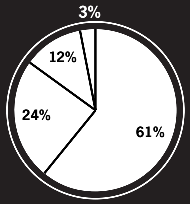
American Steamship Company Great Lakes Tonnage
Tons In Millions



GATX Distribution Of Assets

Marine—5%

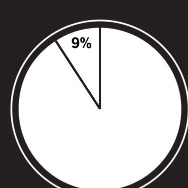




GATX Marine Assets By Asset Type

Great Lakes Vessels—61%
Barge—24%
Tug—12%
Other—3%

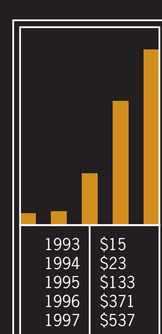
GATX's Tampa-based Sun Financial provides technology-related leasing services to corporate customers including Wellspring Resources. Wellspring, a leading provider of human resource and benefit administration outsourcing, currently leases client/server and desktop equipment. Pictured at Wellspring's data center are (L) Clay M. Biddinger, President of Sun Financial, and (R) John Linfonte, Chief Financial Officer of Wellspring.



GATX Distribution
Of Assets

Technology—9%

GATX
Technology Assets
Dollars In Millions



GATX has successfully invested in the information technology industry since 1986. Today, Technology is one of the fastest growing areas of GATX with over $500 million in assets. Information technology is one of the largest segments of the leasing industry. While leasing has traditionally been viewed as a means to lower capital costs, this alternative is routinely being used in the technology sector as part of a more complex asset management process. Corporate clients are searching for one-stop partners that can bundle leasing, service, and asset management. GATX's technology companies are positioned to meet this need.

Centron Centron is a leading provider of communication network equipment and services providing network integration and value-added reselling services.

Centron has used a partnering strategy to grow its base of corporate customers and extend its service offerings. Centron is a licensed reseller for network equipment manufacturers such as IBM, 3 Com, Bay Networks, and Cascade.

Centron is capitalizing on its position as a leading provider of communication network equipment to broaden its network service capabilities. By providing extensive network integration and management services, Centron is able to expand its share of business with key customers. For example, Centron bundles network equipment offerings with remote network monitoring services, thereby meeting two critical customer needs.

TECHNOLOGY

Technology Services provides leasing and asset management services to large corporate customers. Through three operating companies, Centron, Sun Financial and Lombard Network Services, GATX has over $500 million of assets in this fast growing market.

Sun Financial Tampa-based Sun Financial Group focuses on information technology assets including desktop systems and local area networks. As customers' information technology equipment needs expand, the process of managing these assets becomes more complicated. Sun Financial provides solutions through its leasing and asset management services. GATX Capital increased its ownership in Sun Financial to 100 percent in 1997.

Sun Financial provides complete asset life-cycle leasing and management services, which includes lease financing on new equipment and remarketing of older equipment. This single-source service allows customers to accurately monitor their technology investments and requirements.

Lombard Network Services Lombard Network Services, based in London, is an information technology equipment lessor that is focusing on the European market. A 50 percent-owned joint venture, Lombard Network Services is working closely with Centron and Sun Financial to expand the customer base in Europe.

The Structured Finance team is uniquely positioned to leverage certain of GATX's most critical skills, including asset and investment knowledge, financial structuring, partnering, and portfolio management across all of GATX's other activities. Using extensive marketing contacts with financial institutions and asset users in North America, Europe and Asia, GATX identifies lease, loan, and residual guarantee investment opportunities around the world. These transactions tend to be highly structured and focused on rail, air, and diversified equipment assets. Many of these transactions generate fees for GATX.

Direct Portfolio Investment GATX supplies asset-based capital, in the form of leases and loans, to a wide variety of business customers to enable them to grow and succeed. Using a direct calling program, GATX is able to assess customer requirements and to design and structure cost effective financial solutions.

Secondary Market Participation In the 1970's, GATX pioneered the acquisition of assets and lease portfolios from other financial institutions. Today, GATX remains a leader in the secondary market for lease transactions. Assets and portfolios purchased in the secondary market often have shorter remaining lease maturities and provide several options at lease expiration.

During 1997, GATX announced its single largest investment to date, a $368 million investment with Pitney Bowes Financial Services. This transaction clearly highlights the breadth and depth of GATX's capabilities. The Structured Finance team worked closely with Pitney Bowes to achieve several strategic objectives: GATX expanded and diversified its asset portfolio through a direct investment; Pitney Bowes

STRUCTURED FINANCE

The Structured Finance group originates portfolio investments in markets worldwide, and manages lease portfolios for partners and clients. Through this group GATX has been a leader in developing a secondary market for lease portfolios.

monetized its large ticket lease portfolio; and the two parties formed an ongoing partnership to manage a portfolio of high quality assets. This transaction demonstrates GATX's ability to combine asset knowledge and financial expertise to identify secondary market opportunities and to structure transactions that further the objectives of GATX and its customers and partners.

Portfolio Management GATX has worldwide experience managing portfolios for third-parties such as banks and corporations. Portfolios currently under management total $5 billion of original equipment cost for over 20 major institutional clients. Portfolio management agreements are generally structured so that GATX is responsible for asset remarketing and shares in the gains as assets are sold. This "pay for performance" feature provides a win-win situation for GATX and the portfolio's owner. By accessing GATX's asset knowledge, portfolio management skills, and remarketing expertise, these partners can reduce their own management expenses and realize superior returns on their portfolios.

Leveraging Cross-Company Initiatives The Structured Finance team provides other GATX operations with financial structuring advice and arranges co-investment partners. In September 1997, GATX completed an innovative transaction that greatly enhanced its railcar financing program. This securitized, off-balance sheet structure was the first of its kind in the rail industry and has been recognized in the press as a truly innovative financing solution. Structured Finance worked closely with GATX's Corporate Treasury Department and Law Department and with General American Transportation Corporation on this complicated, original transaction.

Structured Finance's team approach to originating and structuring investment transactions draws upon the skills available across GATX. The MAPS project team at GATX Capital developed state-of-the-art software and information systems specifically tailored to leasing portfolios.

GATX Increases Dividends For Twelfth Consecutive Year

MAJOR

GATX Capital Completes Lease Financing With New Zealand's Tranz Rail Holdings Limited

GATX Corporation Completes Innovative Railcar Financing

NEWS

GATX Terminals Corporation Sells Its Norco Terminal

GATX Capital Corporation And Lombard North Central Plc Form GL Railease Limited

EVENTS

GATX Terminals Corporation Forms Joint Venture In Argentina

GATX Capital Acquires Assets & Forms Partnership With Pitney Bowes Financial Services

OF

GATX Converts Outstanding $3.875 Cumulative Convertible Preferred Stock

General American Transportation Introduces Web-based Customer Service Offerings

1997

GATX Logistics Starts Operations In Chile

General American Transportation Purchases Interest In European-based Tank Car Leasing Company

GATX Announces Strategic Realignment

GATX

A Complete Listing Of GATX News Releases Can Be Found At The Company's Internet Site, www.gatx.com

Business Segments

The following summary describes GATX's current business segments:

Railcar Leasing and Management

represents General American Transportation Corporation and its foreign subsidiaries and affiliates (Transportation), which lease and manage tank cars and other specialized railcars.

Financial Services

represents GATX Capital Corporation and its subsidiaries and joint ventures (Capital), which arrange and service the financing of equipment and other capital assets on a worldwide basis.

Terminals and Pipelines

represents GATX Terminals Corporation and its domestic and foreign subsidiaries and affiliates (Terminals), which own and operate tank storage terminals, pipelines and related facilities.

Logistics and Warehousing

represents GATX Logistics, Inc. (Logistics), which provides distribution and logistics support services and warehousing facilities throughout North America.

Great Lakes Shipping

represents American Steamship Company (ASC), which operates self-unloading vessels on the Great Lakes.

REPORT OF GATX MANAGEMENT
REPORT OF ERNST & YOUNG LLP, INDEPENDENT AUDITORS

GATX Corporation and Subsidiaries

To Our Shareholders: The management of GATX Corporation has prepared the accompanying consolidated financial statements and related information included in this 1997 Annual Report to Shareholders and has the primary responsibility for the integrity of this information. The financial statements have been prepared in conformity with generally accepted accounting principles and necessarily include certain amounts which are based on estimates and informed judgments of management.

The financial statements have been audited by the company's independent auditors, whose report thereon appears on this page. Their role is to form an independent opinion as to the fairness with which such statements present the financial position of the company and the results of its operations.

GATX maintains a system of internal accounting controls which is designed to provide reasonable assurance as to the reliability of its financial records and the protection of its shareholders' assets. The concept of reasonable assurance is based on the recognition that the cost of a system of internal control should not exceed the related benefits. Management believes the company's system provides this appropriate balance in all material respects.

GATX's system of internal controls is further augmented by an audit committee composed of directors who are not officers or employees of GATX, which meets regularly throughout the year with management, the independent auditors and the internal auditors; an internal audit program that includes prompt, responsive action by management; and the annual audit of the company's financial statements by independent auditors.

Ronald H. Zech
Chairman, President and
Chief Executive Officer

David M. Edwards
Vice President Finance
and Chief Financial Officer

Ralph L. O'Hara
Controller and
Chief Accounting Officer

To the Shareholders and Board of Directors of GATX Corporation: We have audited the accompanying consolidated balance sheets of GATX Corporation and subsidiaries as of December 31, 1997 and 1996, and the related statements of consolidated operations and reinvested earnings and consolidated cash flows for each of the three years in the period ended December 31, 1997. These financial statements are the responsibility of the company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of GATX Corporation and subsidiaries as of December 31, 1997 and 1996, and the results of their operations and their cash flows for each of the three years in the period ended December 31, 1997, in conformity with generally accepted accounting principles.

Ernst & Young LLP

Chicago, Illinois
January 27, 1998

ERNST & YOUNG LLP

GATX reported a net loss of $51 million or $2.55 per share, on a diluted basis, for the year ended December 31, 1997 compared to net income of $103 million or $4.20 per share for 1996. The basic per share loss was $2.55 compared to per share earnings of $4.43 in the prior year.

During 1997, strategic decisions resulted in a $163 million after-tax restructuring charge related to the Terminals and Pipelines and the Logistics and Warehousing segments. The changed market environment which Terminals serves required aggressive action to revitalize operations and includes the sale or closure of the Staten Island terminal as well as seven terminals in the United Kingdom. Additionally, adjustments were made to the carrying costs of other smaller facilities. The after-tax restructuring charge attributable to Terminals was $124 million. Logistics continued to implement its strategy of providing integrated logistics solutions while reducing its role in the lower margin, public warehousing business. To better reflect the economics of this strategic direction, a $39 million after-tax charge was taken to write-down the carrying value of goodwill relating to certain past warehousing acquisitions.

Before the effects of the $163 million after-tax charge, income was $112 million, with earnings per share on a diluted and basic basis of $4.51 and $4.67 respectively. These operating earnings reached a record level with four of GATX's five subsidiaries achieving record results. On the $112 million of total earnings, GATX achieved a return on equity of 14.0%, up slightly from 13.8% in 1996.

(In Millions)	------ *(Loss) Income* ------	
	1997	*1996*
Income before restructuring	**$111.9**	$102.7
Restructuring:		
Terminals	**(123.8)**	–
Logistics	**(39.0)**	–
	(162.8)	–
Net (Loss) Income	**$(50.9)**	$102.7

The comparative performance for 1996 versus 1995 is discussed in the prior year's management discussion on pages 64-66 of this report.

Railcar Leasing and Management Transportation's gross income of $477 million increased by $49 million from 1996. The full year effect of the mid-1996 acquisition of the remaining 55% interest in CGTX accounted for $28 million of the revenue increase with the balance attributable to a larger U.S. fleet and improved rental rates. Prior to GATX acquiring the remaining interest, CGTX had been accounted for as an affiliate. Railcar additions continued to be strong in 1997 with 4,800 cars added to the North American fleet, reaching a total of 78,000 cars on lease. With a total fleet of 81,100 cars, utilization ended the year at 96%, up from 95% at the end of 1996. Fleet additions in 1998 are expected to remain strong. In addition to the North American fleet, during 1997 Transportation purchased a 40% interest in KVG Kesselwagen Vermietgesellschaft mbH ("KVG"), a German and Austrian-based tank car and specialty railcar leasing company that owns and manages approximately 9,400 railcars in Europe.

Record net income of $74 million increased by 10% over 1996 reflecting the higher revenues and the full year impact of CGTX, partially offset by higher repair costs and other operating and asset ownership expenses. Operating margins improved by 14% as the growth in revenues exceeded the increase in fleet repair costs and SG&A expenses.

Repair costs increased 7% due to the larger fleet size but decreased as a percentage of revenue from 1996 due in part to the mix of cars and the types of repairs completed. Throughput days, the time it takes a railcar to be repaired through the Transportation repair network, remained at the 1996 average of 32 days. Asset ownership costs, consisting of operating lease rents, depreciation, and interest expense, increased as a result of the growing fleet. Equity in earnings of affiliates declined from 1996 due to the aforementioned change in accounting for CGTX.

Financial Services Gross income of $584 million for 1997 increased sharply from 1996 driven by higher technology equipment sales, lease income, and gains on sale of assets. Of the $247 million or 73% overall increase from last year, $171 million was attributable to technology equipment sales. A full year of technology equipment sales was recorded in 1997 whereas 1996 included only two months; Capital acquired the remaining 50% of Centron that it did not already own in October 1996. Lease income grew by $50 million, in large part due to increased volume at Sun Financial, another Capital technology subsidiary, as well as Centron. Gains on sales of assets for 1997 were at a record level of $69 million, or $33 million more than last year. Because the timing of such sales is dependent on changing market conditions, gains on sales of assets do not occur evenly from period to period. It is presently expected that gains for 1998 will not occur at 1997's record level, with other sources of gross income continuing to grow.

Net income for 1997 was a record $54 million, a 17% improvement over last year's results, with gains on sale of assets generating much of the increase. Centron and Sun Financial revenues were substantially offset by asset ownership and human resource costs necessary to grow these technology businesses. Record investment volume of $866 million, including over $200 million for Sun Financial, led to depreciation expense increasing by $36 million and interest expense increasing by $11 million. Included in the investment volume was the $368 million Pitney Bowes transaction, the largest in GATX Capital's history. SG&A, which for the first time in 1997 included a full year of Centron's results, also increased due to higher incentive compensation, transaction costs, and administrative expenses.

The provision for possible losses of $11 million decreased $2 million from 1996. The allowance for possible losses increased to $122 million, representing 5.8% of net investments, as compared to 6.6% at the end of last year.

Equity earnings increased by $3 million to $17 million despite Centron no longer being accounted for as a joint venture for 1997. During 1997, Capital recorded equity earnings from three new joint ventures, including two aircraft partnerships and the newly-formed joint venture with Pitney Bowes. Equity earnings also increased at Locomotive Leasing Partners, a joint venture established in 1996 with the Electro-Motive Division of General Motors.

Capital continued to manage and change its portfolio mix during 1997, with aircraft now representing a proportionally smaller part of total assets while the rail and technology sectors grew. Strategic aircraft sales, the Pitney Bowes transaction (primarily rail assets), and substantial Sun Financial (technology) investment volume were the drivers of the change in asset concentrations.

Terminals and Pipelines Terminals' gross income for 1997 of $293 million was 2% less than 1996 primarily due to the continued softness in both the domestic and international petroleum markets. In general, the petroleum market was characterized by competitive pricing pressures as refineries continued to produce on a just-in-time basis thereby reducing the demand for storage. Gross income related to services provided to the chemical market remained steady with 1996 while pipeline revenues improved slightly. Terminals' pipelines serve the growing Nevada and Florida markets.

While throughput of petroleum products remained strong, rates further declined from the 1996 levels. Throughput for 1997, defined as barrels delivered to customers, of 639 million barrels at wholly-owned locations remained steady with 1996. Average storage utilization for the year was 91%, an improvement from 86% last year.

Terminals' net loss for 1997 was $116 million, including the effects of a $124 million after-tax restructuring charge. On an operating basis, Terminals' 1997 income of $8 million declined from last year's $13 million. The difficult petroleum market conditions resulted in a 4% decrease in operating margin from last year. Overall operating costs and SG&A expenses decreased by 1% from 1996. Fixed asset ownership costs, which include interest and depreciation, increased to 38% of revenue from 35% last year primarily due to the full year impact of significant facility and infrastructure investments made in 1996. Equity in earnings from affiliates of $13 million increased by $1 million from 1996 reflecting improved results primarily from European chemical markets. Asian results approximated last year, with improvement in the chemical market offset by foreign exchange rate variances.

During the fourth quarter of 1997, Terminals recorded an after-tax provision of $124 million reflecting the results of a strategic review. Initial steps were taken to sell or close certain locations including the Staten Island terminal and seven storage facilities which make up GATX Terminals Limited in the United Kingdom. Additionally, adjustments were made to the carrying cost of certain other locations where conditions indicated that asset values were impaired.

Logistics and Warehousing Logistics' gross income of $256 million decreased 4% due to the impact of lost business and slower production periods by certain customers. New customers and increased business with existing customers somewhat offset this decrease. Total warehouse capacity at year-end of 21.4 million square feet was in-line with last year. Space utilization of 95% improved by 4% from last year.

Logistics' net loss for 1997 was $38 million, including the effects of a $39 million after-tax charge related to the write-down of goodwill relating to certain past acquisitions involved in public warehousing to better reflect the economics of that sector of the industry. On an operating basis, Logistics' 1997 income of $1.4 million grew from last year's $.9 million. Operating margins for 1997 improved to 10.0% from 9.6% in 1996 due to replacing some of the lost public warehousing business with more profitable contract logistics business, productivity improvements, and reduced empty space.

Logistics is proceeding with its strategy of providing integrated logistics solutions to an expanding customer base and steadily reducing its role in the lower margin, public warehousing business. Logistics also continues to win new contracts, implement strong cost controls, and achieve growth with existing customers.

Great Lakes Shipping Gross income in 1997 was $91 million, a 7% improvement from 1996 due to increased tonnage carried and residual sharing fees earned by partnering with GATX Capital in a third-party vessel financing and remarketing. Tonnage carried in 1997 totaled 26.4 million tons, a 7% increase from the 24.6 million tons carried in 1996 primarily derived from coal cargoes. Strong customer demand, favorable weather conditions, and high water levels all contributed to the solid performance.

Record income of $9.4 million increased by $2.6 million or 38% from 1996. The residual sharing fees contributed $1.3 million with the balance primarily due to the margin on the increased tonnage carried. Contribution margin per ton was 4% greater than the prior year due to a change in mix of commodities carried as well as operating efficiencies.

The environment on the Great Lakes remains competitive, with supply and demand for vessel capacity approximately in balance. ASC carried an estimated 22% of the total U.S. flag Great Lakes tonnage, similar to 1996. U.S. flag tonnage was 118 million tons, an increase of 8 million tons from 1996. Iron ore cargoes, which supply the steel industry, represented 41% of ASC's tonnage, 5% less than last year. Domestic raw steel production was approximately 90% in 1997, up 2% from last year. Coal cargoes represented 28% of ASC's tonnage, up from 21% last year as a result of new business.

Corporate and Other Corporate and Other net expense of $35 million increased by $4 million from 1996 primarily due to the reversal in 1996 of a legal reserve following the successful defense of litigation against GATX.

Forward-Looking Statements Certain statements in the Management's Discussion and Analysis constitute forward-looking statements made pursuant to the safe harbor provision of the Private Securities Litigation Reform Act of 1995. This information may involve risks and uncertainties that could cause actual results to differ materially from the forward-looking statements. Although the company believes that the expectations reflected in such forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties that could cause actual results to differ materially from those projected. These risks and uncertainties include, but are not limited to, unanticipated changes in the markets served by GATX such as aircraft, petroleum, chemical, rail, technology, and steel industries.

GATX provides services to a variety of capital asset markets through five principal business segments. The financial data presented on this and the following three pages depict the profitability, financial position, and cash flow of each of GATX's business segments.

The presentation of segment profitability includes the direct costs incurred at the segment's operating level plus expenses allocated by the parent company. Allocated expenses represent costs which these operations would have incurred otherwise, but do not include general corporate expense or parent company interest expense. Interest costs associated with segment indebtedness are included in the determination of profitability of each segment, since interest expense directly influences any investment decision and the evaluation of subsequent operational performance. Interest expense by segment has been shown separately on page 37 to enable the determination of segment profitability before deducting such costs.

SEGMENT PROFITABILITY (IN MILLIONS)

Gross Income	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$ 476.9**	$ 427.9	$ 360.9	$ 322.1	$ 302.2
Financial Services	**584.4**	337.3	217.9	206.8	204.0
Terminals and Pipelines	**292.8**	297.6	313.4	303.1	281.1
Logistics and Warehousing	**256.3**	267.4	272.4	244.2	224.4
Great Lakes Shipping	**91.4**	85.2	83.5	82.4	80.6
Subtotal	**1,701.8**	1,415.4	1,248.1	1,158.6	1,092.3
Corporate and Other	**.1**	(1.0)	(1.7)	(3.6)	(5.4)
Consolidated	**$1,701.9**	$1,414.4	$1,246.4	$1,155.0	$1,086.9

(Loss) Income Before Income Taxes and Equity in Net Earnings of Affiliated Companies	1997 (A)	1996	1995	1994	1993
Railcar Leasing and Management	**$ 116.8**	$ 103.8	$ 90.7	$ 79.6	$ 74.4
Financial Services	**62.3**	56.1	36.7	34.4	34.5
Terminals and Pipelines	**(192.7)**	3.0	30.3	33.2	30.2
Logistics and Warehousing	**(34.7)**	3.8	3.2	1.6	2.5
Great Lakes Shipping	**14.6**	10.5	10.8	8.8	10.2
Subtotal	**(33.7)**	177.2	171.7	157.6	151.8
Corporate and Other:					
Selling, general and administrative expense	**(21.2)**	(16.0)	(20.4)	(18.3)	(22.9)
Interest expense	**(31.7)**	(30.6)	(31.8)	(17.2)	(18.4)
Other, net	**(.7)**	(1.9)	(2.5)	(4.3)	(6.1)
Subtotal	**(53.6)**	(48.5)	(54.7)	(39.8)	(47.4)
Consolidated	**$ (87.3)**	$ 128.7	$ 117.0	$ 117.8	$ 104.4

Equity in Net Earnings of Affiliated Companies	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$ .9**	$ 2.9	$ 5.4	$ 4.7	$ 4.5
Financial Services	**17.0**	13.6	11.3	5.6	5.1
Terminals and Pipelines	**13.1**	11.9	14.7	12.2	10.1
Logistics and Warehousing	**(.1)**	–	–	–	–
Consolidated	**$ 30.9**	$ 28.4	$ 31.4	$ 22.5	$ 19.7

Net (Loss) Income	1997 (B)	1996	1995	1994	1993 (C)
Railcar Leasing and Management	**$ 74.4**	$ 67.7	$ 62.9	$ 55.1	$ 47.6
Financial Services	**53.6**	45.9	32.6	24.9	21.5
Terminals and Pipelines	**(115.6)**	12.6	31.0	31.9	26.5
Logistics and Warehousing	**(37.6)**	.9	.5	(.5)	.1
Great Lakes Shipping	**9.4**	6.8	7.0	5.6	6.8
Subtotal	**(15.8)**	133.9	134.0	117.0	102.5
Corporate and Other	**(35.1)**	(31.2)	(33.2)	(25.5)	(29.8)
Consolidated	**$ (50.9)**	$ 102.7	$ 100.8	$ 91.5	$ 72.7

(A) Pretax income includes a $224.8 million charge for restructuring with $185.8 million related to Terminals and Pipelines and $39.0 pertaining to Logistics and Warehousing.

(B) The after-tax impact related to the restructuring provision is $162.8 million with $123.8 included in Terminals and Pipelines and $39.0 pertaining to Logistics and Warehousing.

(C) Income shown includes a $7.3 million charge for the cumulative increase in deferred income taxes as a result of the 1993 federal tax rate change.

The financial position data below present the identifiable asset base of each of GATX's business segments and the degree to which such assets have been financed with external sources of capital. GATX utilizes additional assets, such as railcars, aircraft and warehouses, which are financed through off-balance sheet operating leases and therefore are not included in identifiable assets; similarly, the corresponding financings are not included in long-term debt.

FINANCIAL POSITION (IN MILLIONS)

Identifiable Assets	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$2,376.2**	$2,387.1	$2,041.9	$1,882.8	$1,701.0
Financial Services	**2,275.8**	1,808.9	1,503.3	1,255.8	1,240.1
Terminals and Pipelines	**936.7**	1,193.5	1,101.5	1,022.5	872.5
Logistics and Warehousing	**112.1**	161.8	171.6	172.6	172.8
Great Lakes Shipping	**178.0**	179.6	187.2	189.8	194.5
Subtotal	**5,878.8**	5,730.9	5,005.5	4,523.5	4,180.9
Corporate and Other	**22.8**	30.7	21.9	20.9	25.0
Intersegment Amounts	**(953.8)**	(1,011.4)	(984.5)	(893.7)	(813.8)
Consolidated	**$4,947.8**	$4,750.2	$4,042.9	$3,650.7	$3,392.1

Long-Term Debt and Capital Lease Obligations	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$1,054.9**	$1,169.9	$ 979.2	$ 874.9	$ 744.8
Financial Services	**1,495.2**	1,216.1	888.9	688.3	715.3
Terminals and Pipelines	**619.8**	649.1	560.7	506.8	422.8
Logistics and Warehousing	**1.8**	1.9	2.4	13.1	17.1
Great Lakes Shipping	**101.7**	108.0	113.2	117.7	122.6
Subtotal	**3,273.4**	3,145.0	2,544.4	2,200.8	2,022.6
Intersegment Amounts	**(454.0)**	(480.9)	(451.9)	(395.7)	(308.8)
Consolidated	**$2,819.4**	$2,664.1	$2,092.5	$1,805.1	$1,713.8

Deferred Income Taxes (Benefit)	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$ 274.3**	$ 257.9	$ 192.8	$ 188.3	$ 181.0
Financial Services	**13.2**	17.8	9.7	(.1)	(7.1)
Terminals and Pipelines	**48.6**	96.1	90.4	85.2	87.0
Logistics and Warehousing	**3.4**	2.1	.5	.9	.8
Great Lakes Shipping	**13.4**	11.3	9.7	8.2	6.8
Subtotal	**352.9**	385.2	303.1	282.5	268.5
Corporate and Other	**(55.3)**	(46.0)	(38.3)	(25.0)	(20.3)
Consolidated	**$ 297.6**	$ 339.2	$ 264.8	$ 257.5	$ 248.2

Major components of GATX's cash flow are shown in the following tabular data. GATX's cash flow from operations and portfolio proceeds has grown strongly over the five-year period as a result of the long-lived asset base on which GATX has built its service-oriented businesses. Portfolio proceeds represent the proceeds from asset sales and the return of principal on Financial Services' investments. Net cash provided by operating activities includes net income (loss) as adjusted for non-cash items which principally consist of the provisions for depreciation and amortization, deferred income taxes, and possible losses.

ITEMS AFFECTING CASH FLOW (IN MILLIONS)

Cash From Operations and Portfolio Proceeds	1997	1996	1995	1994	1993
Net cash provided by operating activities	**$291.4**	$297.5	$205.1	$265.4	$229.6
Portfolio proceeds	**458.7**	354.8	282.0	212.3	243.4
Consolidated	**$750.1**	$652.3	$487.1	$477.7	$473.0

Net Cash Provided by Operating Activities	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$176.8**	$177.4	$141.5	$118.0	$136.5
Financial Services	**57.4**	102.2	8.5	67.7	33.0
Terminals and Pipelines	**69.3**	54.0	70.6	83.5	71.2
Logistics and Warehousing	**11.9**	17.2	14.3	9.5	4.9
Great Lakes Shipping	**21.5**	8.9	18.1	8.2	11.4
Subtotal	**336.9**	359.7	253.0	286.9	257.0
Corporate and Other	**(45.5)**	(62.2)	(47.9)	(21.5)	(27.4)
Consolidated	**$291.4**	$297.5	$205.1	$265.4	$229.6

Provision for Depreciation and Amortization	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$ 98.0**	$ 86.8	$ 76.1	$ 68.3	$ 63.9
Financial Services	**81.7**	45.3	32.0	35.1	29.5
Terminals and Pipelines	**54.7**	51.9	45.3	43.5	41.0
Logistics and Warehousing	**10.5**	11.1	11.1	11.5	10.2
Great Lakes Shipping	**6.4**	6.3	6.2	6.0	5.6
Subtotal	**251.3**	201.4	170.7	164.4	150.2
Corporate and Other	**1.0**	1.0	.9	.7	.5
Consolidated	**$252.3**	$202.4	$171.6	$165.1	$150.7

Capital Additions and Portfolio Investments	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$ 336.9**	$ 386.8	$392.6	$285.4	$195.3
Financial Services	**866.3**	659.3	388.5	279.2	302.1
Terminals and Pipelines	**68.0**	129.5	148.6	154.4	77.8
Logistics and Warehousing	**4.2**	6.6	6.4	8.1	14.1
Great Lakes Shipping	**.2**	.8	.7	.7	.1
Subtotal	**1,275.6**	1,183.0	936.8	727.8	589.4
Corporate and Other	**–**	1.8	.9	.5	7.0
Consolidated	**$1,275.6**	$1,184.8	$937.7	$728.3	$596.4

Interest Expense	1997	1996	1995	1994	1993
Railcar Leasing and Management	**$ 103.7**	$ 99.4	$ 86.1	$ 68.2	$ 67.4
Financial Services	**96.8**	86.1	68.4	62.7	65.4
Terminals and Pipelines	**57.2**	53.5	46.4	39.7	39.0
Logistics and Warehousing	**.2**	.3	.8	1.0	.7
Great Lakes Shipping	**7.1**	7.5	7.8	8.1	9.2
Subtotal	**265.0**	246.8	209.5	179.7	181.7
Corporate and Other	**31.7**	30.6	31.8	17.2	18.4
Intersegment Amounts	**(74.3)**	(74.6)	(71.2)	(48.7)	(48.3)
Consolidated	**$ 222.4**	$ 202.8	$170.1	$148.2	$151.8

Long-Term Debt and Capital Lease Obligation Maturities	1998	1999	2000	2001	2002
Railcar Leasing and Management	**$ 81.4**	$ 86.0	$105.3	$ 99.0	$166.5
Financial Services	**216.1**	188.3	372.7	122.7	95.3
Terminals and Pipelines	**9.3**	12.3	7.3	7.3	7.3
Logistics and Warehousing	**.3**	.2	.2	.1	.1
Great Lakes Shipping	**5.2**	5.7	5.7	5.6	6.2
Consolidated	**$ 312.3**	$ 292.5	$491.2	$234.7	$275.4

STATEMENTS OF CONSOLIDATED OPERATIONS AND REINVESTED EARNINGS

GATX Corporation and Subsidiaries

In Millions Except Per Share Data/Year Ended December 31	*1997*	*1996*	*1995*
Gross Income	**$1,701.9**	$1,414.4	$1,246.4
Costs and Expenses			
Operating expenses	**840.3**	689.2	625.8
Interest	**222.4**	202.8	170.1
Provision for depreciation and amortization	**252.3**	202.4	171.6
Provision for possible losses	**11.1**	12.5	18.4
Selling, general and administrative	**238.3**	178.8	143.5
Provision for restructuring	**224.8**	–	–
	1,789.2	1,285.7	1,129.4
(Loss) Income Before Income Taxes and Equity in Net Earnings of Affiliated Companies	**(87.3)**	128.7	117.0
Income Taxes (Benefit)	**(5.5)**	54.4	47.6
(Loss) Income Before Equity in Net Earnings of Affiliated Companies	**(81.8)**	74.3	69.4
Equity in Net Earnings of Affiliated Companies	**30.9**	28.4	31.4
Net (Loss) Income	**(50.9)**	102.7	100.8
Reinvested earnings at beginning of year	**463.7**	409.0	353.5
Dividends paid on Common and Preferred Stock	**(49.4)**	(48.0)	(45.3)
Reinvested Earnings at End of Year	**$ 363.4**	$ 463.7	$ 409.0
Per Share Data			
Basic:			
Net (loss) income	**$ (2.55)**	$ 4.43	$ 4.38
Average number of common shares (in thousands)	**22,542**	20,189	20,002
Diluted:			
Net (loss) income	**(2.55)**	4.20	4.14
Average number of common shares and common share equivalents (in thousands)	**22,542**	24,462	24,365
Dividends paid:			
Common	**1.84**	1.72	1.60
$3.875 Cumulative Preferred	**1.9375**	3.875	3.875

See Notes to Consolidated Financial Statements.

Overview The comparison of 1997 versus 1996 gross income and expenses is heavily influenced by the effects of two acquisitions made in 1996: Centron and CGTX. In late 1996, GATX Capital acquired the remaining 50% of Centron (a technology equipment and service company) that it did not already own. In mid-1996, General American Transportation acquired the remaining 55% of CGTX (a Canadian railcar company). Because GATX previously held non-controlling interests in Centron and CGTX, their results were accounted for as equity in earnings of affiliates; they are now fully consolidated.

Gross Income of $1.7 billion in 1997 increased $288 million or 20% over last year. Capital recorded a full year of Centron's technology equipment sales, accounting for a $171 million increase over 1996. Lease income and asset remarketing income also increased significantly for Capital, by $50 million and $26 million, respectively. Transportation's revenues increased as the result of recording a full year of CGTX revenues and growing the active U.S. fleet. Logistics' and Terminals' revenues were somewhat lower, with both facing highly price competitive markets.

Operating Expenses of $840 million were $151 million higher than last year, with Centron's cost of equipment sales accounting for $137 million of the increase. Most of the remaining increase is attributable to additional sale-leaseback financing at Transportation. To the extent that such financing is used instead of traditional debt financing, operating lease expense, a component of operating expenses, will increase instead of depreciation and interest expense. Logistics' and Terminals' operating expenses contracted in response to their reduced revenues.

Interest Expense of $222 million increased $20 million, with over half of the increase at GATX Capital. A record level of portfolio investments led to increased debt balances at Capital, though there was a small benefit from lower average interest rates than last year. Transportation financed its expanding fleet in 1997 with both sale-leasebacks and debt; the debt-financed portion was the primary cause for a $6 million increase in interest expense. Terminals' interest expense was higher due to the full year impact of facility and infrastructure investments made in 1996.

Depreciation and Amortization Expense grew by $50 million over 1996. The larger asset bases at GATX Capital, Transportation and Terminals resulted in increases of $36 million, $11 million, and $3 million, respectively.

The Provision for Possible Losses of $11 million, which is largely attributable to GATX Capital, was slightly less than the prior year based on the current assessment of reserve needs.

Selling, General and Administrative Expenses were $60 million higher than last year, with Centron and CGTX being consolidated for a full year in 1997. In addition, GATX Capital incurred higher human resource, transaction, and information systems expenses. In 1996, Corporate's SG&A was reduced by $4 million for a reserve reversal following a successful litigation defense.

Provision for Restructuring In the fourth quarter of 1997, GATX recorded a $225 million pretax restructuring charge with $186 million related to GATX Terminals and $39 million associated with GATX Logistics. On an after-tax basis, the charge was $163 million.

An Income Tax Benefit of $5 million was reported as a result of a $62 million tax benefit related to Terminals' restructuring charge. Excluding the impact of the restructuring charge, the income tax expense would be $57 million representing an effective tax rate of 41%, somewhat lower than last year's 42%. The effective tax rate exceeded the 35% federal statutory rate because of state taxes, foreign income, and non-deductible items.

Equity in Net Earnings of Affiliated Companies of $31 million increased $3 million over 1996 despite the absence of Centron and CGTX. GATX Capital's rail partnerships yielded higher earnings. In addition, Capital recorded equity income in 1997 from three new joint ventures.

Consolidated Earnings of $112 million before restructuring charges increased $9 million from last year, achieved on the strength of record earnings at GATX Capital, Transportation, ASC, and GATX Logistics, offset in part by a decline of $4 million at Terminals. Including after-tax restructuring charges of $163 million, the consolidated net loss was $51 million.

CONSOLIDATED BALANCE SHEETS

GATX Corporation and Subsidiaries

In Millions/December 31	1997	1996
Assets		
Cash and Cash Equivalents	$ 77.8	$ 46.2
Receivables		
Trade accounts	161.9	167.4
Finance leases	877.0	761.3
Secured loans	180.3	222.6
Less–Allowance for possible losses	(128.5)	(121.1)
	1,090.7	1,030.2
Operating Lease Assets and Facilities		
Railcars and support facilities	2,501.7	2,436.5
Tank storage terminals and pipelines	1,128.9	1,377.8
Great Lakes vessels	199.4	199.3
Operating lease investments and other	704.4	605.6
	4,534.4	4,619.2
Less–Allowance for depreciation	(1,823.9)	(1,772.8)
	2,710.5	2,846.4
Investments in Affiliated Companies	707.4	464.2
Other Assets	361.4	363.2
	$ 4,947.8	$ 4,750.2
Liabilities, Deferred Items and Shareholders' Equity		
Accounts Payable	$ 354.7	$ 312.6
Accrued Expenses	58.0	51.7
Debt		
Short-term debt	392.5	243.8
Long-term debt	2,607.3	2,436.9
Capital lease obligations	212.1	227.2
	3,211.9	2,907.9
Deferred Income Taxes	297.6	339.2
Other Deferred Items	370.2	363.9
Total Liabilities and Deferred Items	4,292.4	3,975.3
Shareholders' Equity		
Preferred Stock	–	3.4
Common Stock	17.0	14.4
Additional capital	339.7	329.0
Reinvested earnings	363.4	463.7
Cumulative unrealized equity adjustments	(17.9)	11.4
	702.2	821.9
Less–Cost of common shares in treasury	(46.8)	(47.0)
Total Shareholders' Equity	655.4	774.9
	$ 4,947.8	$ 4,750.2

See Notes to Consolidated Financial Statements.

Overview Total assets of almost $5.0 billion increased about $200 million. Growth from a record level of portfolio investments and capital additions was partially offset by $252 million of depreciation and amortization, asset revaluations at Terminals and Logistics, the $167 million sale-leaseback of railcars at Transportation, and portfolio asset sales at GATX Capital.

In addition to the $5 billion of assets recorded on the balance sheet, GATX utilizes over $1 billion of assets, such as railcars, aircraft, and warehouses, that are financed with operating leases and therefore not included on the balance sheet.

Total Receivables including finance leases and secured loans, increased $68 million primarily due to activity at GATX Capital. Finance leases increased due to the Pitney Bowes portfolio acquisition, offset in part by significant asset sales. During 1997, substantial payments and prepayments were received on Capital's secured loans, whereas little new investment volume was structured as secured loans.

Operating Lease Assets and Facilities of $2.7 billion decreased by $136 million, despite the $1.3 billion of portfolio investments and capital additions made in 1997. More than offsetting the additions were depreciation, Terminals' asset revaluation, Transportation's sale-leaseback, and asset sales.

Investments in Affiliated Companies increased $243 million, as partnerships continued to be an important part of GATX's growth strategy. Activity in 1997 included GATX Capital contributing $175 million to a joint venture with Pitney Bowes and Transportation acquiring a 40% interest in KVG, a European railcar company.

Other Assets of $361 million approximated the level at the end of last year, with Logistics' $39 million goodwill write-down offset by certain terminal assets being reclassified to assets held for disposition.

Total Debt of $3.2 billion increased approximately $300 million from the end of 1996. Though capital additions and portfolio investments were at record levels, the majority were financed with internally-generated cash flow from operations, portfolio proceeds, and sale-leasebacks.

Consolidated Equity decreased $120 million. Reductions included the $51 million net loss, $49 million of dividends paid, and a $28 million decrease in the cumulative foreign currency translation adjustment. The unrealized translation adjustment resulted from the U.S. dollar strengthening against foreign currencies. All other changes, including stock option proceeds, added $8 million to equity.

On January 30, 1998, the GATX Board of Directors approved a two-for-one stock split effected in the form of a stock dividend for shareholders of record on May 11, 1998. Shareholders of record will receive one additional share in the form of a stock dividend on June 1, 1998 for each share held. The stock split is contingent upon a vote by shareholders at the 1998 Annual Meeting to amend the Company's certificate of incorporation to increase the authorized shares of Common Stock.

STATEMENTS OF CONSOLIDATED CASH FLOWS

GATX Corporation and Subsidiaries

In Millions/Year Ended December 31	1997	1996	1995
Operating Activities			
Net (loss) income	**$ (50.9)**	$ 102.7	$ 100.8
Adjustments to reconcile net (loss) income to net cash provided by operating activities:			
Realized gain on disposition of leased equipment	**(74.1)**	(40.9)	(33.3)
Provision for restructuring, net of tax	**162.8**	–	–
Provision for depreciation and amortization	**252.3**	202.4	171.6
Provision for possible losses	**11.1**	12.5	18.4
Deferred income taxes	**18.0**	25.2	16.2
Net change in trade receivables, inventories, accounts payable and accrued expenses	**34.9**	30.2	(68.9)
Other	**(62.7)**	(34.6)	.3
Net cash provided by operating activities	**291.4**	297.5	205.1
Investing Activities			
Additions to operating lease assets and facilities	**(362.0)**	(436.2)	(521.5)
Additions to equipment on lease, net of nonrecourse financing	**(536.4)**	(376.3)	(256.1)
Secured loans extended	**(35.1)**	(117.1)	(84.1)
Investments in affiliated companies	**(306.1)**	(92.8)	(49.7)
Other investments and progress payments	**(36.0)**	(162.4)	(26.3)
Capital additions and portfolio investments	**(1,275.6)**	(1,184.8)	(937.7)
Portfolio proceeds:			
From disposition of leased equipment	**218.5**	100.7	139.4
From return of investment	**240.2**	254.1	142.6
Total portfolio proceeds	**458.7**	354.8	282.0
Proceeds from other asset dispositions	**226.9**	250.3	318.5
Net cash used in investing activities	**(590.0)**	(579.7)	(337.2)
Financing Activities			
Proceeds from issuance of long-term debt	**569.9**	757.3	399.5
Repayment of long-term debt	**(395.2)**	(283.3)	(219.6)
Net increase (decrease) in short-term debt	**207.8**	(121.1)	13.3
Repayment of capital lease obligations	**(15.3)**	(14.4)	(13.8)
Issuance of common stock under employee benefit programs and other	**12.4**	3.1	5.5
Cash dividends	**(49.4)**	(48.0)	(45.3)
Net cash provided by financing activities	**330.2**	293.6	139.6
Net Increase in Cash and Cash Equivalents	**$ 31.6**	$ 11.4	$ 7.5

See Notes to Consolidated Financial Statements.

GATX generates significant cash from its operating activities and proceeds from its investment portfolio which are used to service debt, pay dividends, and fund capital additions and portfolio investments. Most of the capital requirements represent additions to the railcar fleet, capital equipment investment portfolio, joint ventures, and terminal and pipeline facilities, and are considered discretionary. As a result, the level of capital spending and investments can be adjusted as conditions in the economy or GATX's businesses warrant.

Cash Provided by Operating Activities generated $291 million of cash flow in 1997, a small decrease from 1996. The $163 million after tax restructuring charge was largely a non-cash provision. To the extent GATX Capital reports increased gains on asset dispositions or equity in earnings of affiliates, cash flow from operations will decrease, as all of Capital's disposition proceeds and cash distributions from affiliates are included in portfolio proceeds.

Capital Additions and Portfolio Investments totaled a record $1.3 billion, an increase of $91 million from 1996. Capital additions such as railcars, terminal facilities, and pipelines are typically held over a very long time period, whereas portfolio investments may have a significantly shorter holding period.

Transportation's capital additions in 1997 were $337 million, including $275 million to add 4,800 railcars throughout North America. Transportation also acquired a 40% interest in KVG, a German railcar company that leases 9,400 railcars in Europe. In 1996, Transportation purchased the remaining interest in CGTX for $84 million and added 4,300 cars to the U.S. fleet. Terminals' capital additions decreased in response to changing market conditions, with investments in 1997 only about half of last year's $130 million. Last year, Terminals' expenditures included the completion of the Central Florida Pipeline expansion.

GATX Capital's portfolio investments were over 30% higher than last year, representing strong market opportunities, particularly in the rail, technology, and aircraft sectors. Included in the record $866 million of investments was the largest single transaction Capital has ever completed, a $368 million acquisition of a portfolio of leases from Pitney Bowes. The Pitney transaction was structured with some assets, mostly rail, held in Capital's own portfolio and other assets held in partnership with Pitney. Sun Financial, one of Capital's technology financing operations, funded $225 million of leases, more than doubling 1996's volume. Most of Capital's investment in aircraft in 1997 was made through joint ventures.

Total Portfolio Proceeds of $459 million exceeded last year by over $100 million. Proceeds from the disposition of leased equipment, primarily rail and aircraft assets, were more than double last year's $101 million and included both the return of principal and the gains on the transactions. Proceeds from the return of investment of $240 million decreased $14 million from 1996. In 1996, loan principal received, a component of proceeds from the return of investment, included the repayment of an $81 million loan made earlier in the year.

Proceeds from Other Asset Dispositions of $227 million in 1997 included Transportation's receipt of $167 million from the sale-leaseback of railcars. Asset disposition activity also included Terminals' sale of its Norco, Louisiana, facility and Transportation's sale and scrapping of over 1,000 railcars. In 1996, Transportation sold and leased back $150 million of railcars and GATX Capital sold and leased back $64 million of assets.

Cash Provided by Financing Activities was $330 million for 1997, as the majority of capital additions and portfolio investments were funded with cash flow from operations, portfolio proceeds, and sale-leaseback financing. Total net debt financing in 1997 was $367 million, or $29 million greater than last year. A significant portion of debt financing is nonrecourse to the company.

Cash dividends of $49 million in 1997 included $42 million of common dividends and $7 million of preferred dividends. The preferred dividends are half of last year's due to converting the $3.875 preferred shares to common in mid-1997. The conversion resulted in about 3.9 million additional common shares. Common dividends per share were $1.84 in 1997 compared to $1.72 in 1996. In January 1998, the Board of Directors approved a 9% increase in the quarterly dividend to $.50 per common share, or $2.00 on an annual basis. This was the thirteenth consecutive year GATX increased its dividend.

Liquidity and Capital Resources General American Transportation Corporation (GATC), GATX Capital and GATX Terminals have revolving credit facilities. GATC and GATX Capital also have commercial paper programs and uncommitted money market lines which are used to fund operating needs. The GATC credit facility expires in 2001 while GATX Capital's revolver expires in 1999. Under the covenants of the commercial paper programs and rating agency guidelines, GATC and GATX Capital individually must keep unused revolver capacity at least equal to the amount of commercial paper outstanding. At December 31, 1997, GATX and its subsidiaries had available unused committed lines of credit amounting to $447 million.

GATC has a $650 million shelf registration for pass through trust certificates and debt securities of which $100 million of notes and $236 million of pass through certificates have been issued at year end. GATX Capital has a shelf registration for $532 million of which $350 million has been issued. At year end, GATX had $316 million of commitments to provide financing to customers or to acquire assets, $279 million of which is scheduled to fund in 1998.

At December 31, 1997, approximately $523 million of subsidiary net assets were restricted, limiting the ability of the subsidiaries to transfer assets to GATX parent in the form of loans, advances or dividends. The majority of net asset restrictions relate to the revolving credit agreement of GATC and the various loan agreements of GATX Capital. Such restrictions are not expected to have an adverse impact on the ability of GATX to meet its cash obligations.

Environmental Matters Certain operations of GATX's subsidiaries (collectively GATX) present potential environmental risks principally through the transportation or storage of various commodities. Recognizing that some risk to the environment is intrinsic to its operations, GATX is committed to protecting the environment as well as complying with applicable environmental protection laws and regulations. GATX, as well as its competitors, is subject to extensive regulation under federal, state and local environmental laws which have the effect of increasing the costs and potentially the liabilities associated with the conduct of its operations. In addition, GATX's foreign operations are subject to environmental laws in effect in each respective jurisdiction.

GATX's policy is to monitor and actively address environmental concerns in a responsible manner. GATX has received notices from the U.S. Environmental Protection Agency (EPA) that it is a potentially responsible party (PRP) for study and clean-up costs at 12 sites under the requirements of the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980 (Superfund) and the National Resource Damage Assessment. Under these Statutes and comparable state laws, GATX may be required to share in the cost to clean-up various contaminated sites identified by the EPA and other agencies. In all instances, GATX is one of a number of financially responsible PRPs and has been identified as contributing only a small percentage of the contamination at each of the sites. Due to various factors such as the required level of remediation and participation in clean-up efforts by others, GATX's total clean-up costs at these sites cannot be predicted with certainty; however, GATX's best estimates for remediation and restoration of these sites have been determined and are included in its environmental reserves.

Future environmental costs are indeterminable due to unknowns such as the magnitude of possible contamination, the timing and extent of the corrective actions that may be required, the determination of the company's liability in proportion to other responsible parties, and the extent to which such costs are recoverable from third parties including insurers. Also, GATX may incur additional costs relating to facilities and sites where past operations followed practices and procedures that were considered acceptable at the time but in the future may require investigation and/or remedial work to ensure adequate protection to the environment under current or future standards. If future laws and regulations contain more stringent requirements than presently anticipated, expenditures may be higher than the estimates, forecasts, and assessments of potential environmental costs provided below. However, these costs are expected to be at least equal to the current level of expenditures. In addition, GATX has provided indemnities for environmental issues to the buyers of three divested companies for which GATX believes it has adequate reserves.

GATX's environmental reserve at the end of 1997 was $75 million and reflects GATX's best estimate of the cost to remediate known environmental conditions. Additions to the reserve were $11 million in 1997 and $12 million in 1996. Expenditures charged to the reserve amounted to $14 million and $18 million in 1997 and 1996, respectively.

In 1997, GATX made capital expenditures of $13 million for environmental and regulatory compliance compared to $17 million in 1996. These projects included marine vapor recovery systems, discharge prevention compliance, waste water systems, impervious dikes, tank modifications for emissions control, and tank car cleaning systems. Environmental projects authorized or planned would require capital expenditures of approximately $14 million in 1998. GATX anticipates it will make annual expenditures at approximately the same level over each of the next three years.

Impact of Year 2000 GATX utilizes in-house developed software as well as vendor-produced software. Certain of the computer software GATX uses was written using two digits rather than four to define the applicable year. This software is time-sensitive, which could cause a system failure or miscalculations causing disruptions of operations, including, among other things, a temporary inability to process transactions, send invoices, or engage in similar normal business activities.

GATX has completed an assessment and has begun modifying and replacing its in-house developed software as well as upgrading its vendor-supported software so that its computer systems will function properly with respect to dates in the year 2000 and thereafter. If these steps were not taken, or are not completed timely, the Year 2000 Issue could have a significant impact on the operations of the Company.

The project is estimated to be completed during 1999, which is prior to any anticipated impact on its operating systems. The Company believes that with modifications to existing software, upgrading vendor-supported software, and conversions to new software, the Year 2000 Issue should not pose significant operational problems. The total Year 2000 project cost is estimated to be immaterial to GATX's results of operations.

Financial data of business segments for 1997, 1996, and 1995 on pages 34 through 37 are an integral part of the consolidated financial statements of GATX Corporation and subsidiaries.

NOTE A–SIGNIFICANT ACCOUNTING POLICIES

Significant accounting policies of GATX and its consolidated subsidiaries are discussed below.

Consolidation The consolidated financial statements include the accounts of GATX and its majority-owned subsidiaries. Investments in 20 to 50 percent-owned companies and joint ventures are accounted for under the equity method and are shown as investments in affiliated companies. Less than 20 percent-owned affiliated companies are recorded using the cost method.

Cash Equivalents GATX considers all highly liquid investments with a maturity of three months or less when purchased to be cash equivalents.

Operating Lease Assets and Facilities Operating lease assets and facilities are stated principally at cost. Assets acquired under capital leases are included in operating lease assets and the related obligations are recorded as liabilities. Provisions for depreciation include the amortization of the cost of capital leases and are computed by the straight-line method which results in equal annual depreciation charges over the estimated useful lives of the assets. The estimated useful lives of depreciable assets are as follows:

Railcars	20-33 years
Buildings, leasehold improvements, storage tanks, and pipelines	5-40 years
Great Lakes vessels	30-40 years
Machinery and related equipment	3-25 years
Operating lease investments	3-38 years

Goodwill GATX has classified the cost in excess of the fair value of net assets acquired as goodwill. Goodwill, which is included in other assets, is being amortized on a straight-line basis over 10 to 40 years. GATX continually evaluates the existence of goodwill impairment on the basis of whether the goodwill is recoverable from projected undiscounted net cash flows of the related business, and in that regard adjusted certain carrying amounts in 1997, as is explained in Note P. Goodwill, net of accumulated amortization of $28.5 million and $30.4 million, was $118.7 million and $167.4 million as of December 31, 1997 and 1996, respectively. Amortization expense was $6.7 million in 1997, $5.3 million in 1996, and $4.2 million in 1995.

Income Taxes United States income taxes have not been provided on the undistributed earnings of foreign subsidiaries and affiliates which GATX intends to permanently reinvest in these foreign operations. The cumulative amount of such earnings was $169.7 million at December 31, 1997.

GATX participates in a Capital Construction Fund agreement with the United States Maritime Administration. Contributions to the Fund reduce taxable income and the tax basis of the related vessels. Deferred taxes are not required to be provided for such contributions and, consequently, income taxes in future years will increase if not offset by additional deposits. Based on current statutory rates, such income tax liability would be $2.1 million at December 31, 1997.

Other Deferred Items Other deferred items include the accrual for postretirement benefits other than pensions; environmental, general liability and workers' compensation reserves; and other deferred credits.

Off-Balance Sheet Financial Instruments GATX uses interest rate and currency swaps, forwards and similar contracts to set interest and exchange rates on existing or anticipated transactions. These instruments qualify for hedge accounting. Fair values of GATX's off-balance sheet financial instruments (futures, swaps, forwards, options, guarantees, and lending and purchase commitments) are based on current market prices, settlement values or fees currently charged to enter into similar agreements. The fair values of the hedge contracts are not recognized in the financial statements. Net amounts paid or received on such contracts are recognized over the term of the contract as an adjustment to interest expense or the basis of the hedged financial instrument.

Environmental Liabilities Expenditures that relate to current or future operations are expensed or capitalized as appropriate. Expenditures that relate to an existing condition caused by past operations, and which do not contribute to current or future revenue generation, are charged to environmental reserves. Reserves are recorded in accordance with accounting guidelines to cover work at identified sites when GATX's liability for environmental clean-up is both probable and reasonably estimable; adjustments to initial estimates are recorded as further information develops or circumstances change.

Revenue Recognition The majority of GATX's gross income is derived from the rentals of railcars, commercial aircraft, Great Lakes vessels, and technology equipment as well as terminaling, warehousing and logistics services. In addition, income is derived from technology equipment sales, finance leases, asset remarketing, secured loans and other services.

Foreign Currency Translation The assets and liabilities of GATX operations located outside the United States are translated at exchange rates in effect at year end, and income statements are translated at the average exchange rates for the year. Gains or losses resulting from the translation of foreign currency financial statements are deferred and recorded as a separate component of consolidated shareholders' equity. The cumulative foreign currency translation adjustment recorded in the cumulative unrealized equity adjustments account was $(22.5) million and $5.8 million at the end of 1997 and 1996, respectively. Incremental unrealized translation losses were $28.3 million, $7.6 million, and $6.9 million, during 1997, 1996 and 1995, respectively.

Investments in Equity Securities Statement of Financial Accounting Standards No. 115, "Accounting for Certain Investments in Debt and Equity Securities," was adopted in 1996 to account for the fair value of stock warrants and stock held in Financial Services' venture leasing portfolio. The unrealized gains recorded in the cumulative unrealized equity adjustments account were $4.6 million at the end of 1997 and $5.6 million at the end of 1996.

Use of Estimates The preparation of financial statements in conformity with generally accepted accounting principles necessarily requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements as well as revenues and expenses during the reporting period. Actual amounts when ultimately realized could differ from those estimates.

Earnings Per Share In 1997, GATX adopted Statement of Financial Accounting Standards No. 128, "Earnings Per Share," which requires the disclosure of "basic" and "diluted" EPS, superseding prior periods' "primary" and "fully diluted" EPS, respectively. Basic EPS is calculated as net income (loss) available to common shareholders, adjusted for preferred dividends, divided by the weighted average number of common shares outstanding. Diluted EPS is calculated as net income (loss) divided by the sum of the weighted average number of common shares outstanding and common stock equivalents. Common stock equivalents include shares issuable upon exercise of employee stock options (reduced by the number of shares assumed to be repurchased by the option proceeds) and also assumes all preferred stock has been converted into common shares if the effect of such conversion is not antidilutive.

All prior periods have been restated to conform to Statement No. 128. The restatement of 1996 and 1995 primary EPS to basic EPS resulted in increases of $.06 and $.08 per share, respectively. The restatement of 1996 and 1995 fully diluted EPS to diluted EPS resulted in an increase of $.01 per share for each year.

Reclassifications Certain amounts in the 1996 and 1995 financial statements have been reclassified to conform to the 1997 presentation.

NOTE B–ACCOUNTING FOR LEASES

The following information pertains to GATX as a lessor:

Finance Leases GATX's finance leases include direct financing leases and leveraged leases. Financing leases which are financed principally with nonrecourse borrowings at lease inception and which meet certain criteria are accounted for as leveraged leases. Leveraged lease contracts receivable are stated net of the related nonrecourse debt. The components of the investment in finance leases were (in millions):

December 31	1997	1996
Net minimum future lease receivables	**$ 773.6**	$ 679.4
Estimated residual values	**415.9**	359.0
	1,189.5	1,038.4
Less–Unearned income	**(312.5)**	(277.1)
Investment in finance leases	**$ 877.0**	$ 761.3

Operating Leases The majority of railcar and tank storage assets and certain other equipment leases included in operating lease assets are accounted for as operating leases.

Minimum Future Receipts Minimum future lease receipts from finance leases and minimum future rental receipts from noncancelable operating leases by year at December 31, 1997 were (in millions):

	Finance Leases	Operating Leases	Total
1998	$184.9	$ 678.3	$ 863.2
1999	145.0	511.2	656.2
2000	120.4	357.4	477.8
2001	86.9	223.0	309.9
2002	61.2	129.5	190.7
Years thereafter	175.2	329.8	505.0
	$773.6	$2,229.2	$3,002.8

The following information pertains to GATX as a lessee:

Capital Leases Assets classified as operating lease assets and finance leases which have been financed under capital leases were (in millions):

December 31	1997	1996
Railcars	**$ 152.0**	$ 152.2
Great Lakes vessels	**159.5**	159.5
	311.5	311.7
Less–Allowance for depreciation	**(173.5)**	(162.6)
	138.0	149.1
Finance leases	**9.9**	12.4
	$ 147.9	$ 161.5

Operating Leases GATX has financed railcars, aircraft, warehouses, and other assets through sale-leasebacks which are accounted for as operating leases. In addition, GATX leases certain other assets and office facilities. Total rental expense, net of sublease income, for the years ended December 31, 1997, 1996 and 1995 was $186.5 million, $170.2 million, and $139.7 million, respectively. Sublease income was $5.1 million, $6.9 million, and $8.2 million in 1997, 1996, and 1995, respectively.

Future Minimum Rental Payments Future minimum rental payments due under noncancelable leases at December 31, 1997 were (in millions):

	Capital Leases	Operating Leases	Nonrecourse Operating Leases
1998	$ 32.1	$ 160.9	$ 8.6
1999	32.0	143.6	10.5
2000	31.5	128.3	14.2
2001	30.7	114.8	14.2
2002	30.3	116.6	11.9
Years thereafter	184.9	1,378.6	207.3
	$341.5	$2,042.8	$266.7
Less—Amounts representing interest	(129.4)		
Present value of future minimum capital lease payments	$212.1		

The above capital lease amounts and certain operating leases do not include the costs of licenses, taxes, insurance, and maintenance which GATX is required to pay. Future minimum operating lease payments have not been reduced by aggregate future noncancelable sublease rentals of $6.6 million. Subsequent to the initial lease term, the majority of railcar operating leases allow GATC to renew the lease at a fixed rate or purchase the railcar at fair market value. Interest expense on the above capital leases was $17.6 million in 1997, $19.1 million in 1996, and $20.1 million in 1995.

The amounts shown as nonrecourse operating leases reflect rental payments of a bankruptcy remote special purpose corporation which is wholly owned by GATC. These rentals are consolidated for accounting purposes but are not guaranteed by nor are legal obligations of GATC.

NOTE C–SECURED LOANS

Investments in secured loans are stated at the principal amount outstanding plus accrued interest. The loans are collateralized by equipment, golf courses or real estate. As of December 31, 1997, secured loan principal due by year was as follows (in millions):

	Loan Principal
1998	$ 22.4
1999	19.7
2000	18.4
2001	12.7
2002	18.0
Years thereafter	89.1
	$180.3

NOTE D–INVESTMENTS IN AFFILIATED COMPANIES

GATX has investments in 25 to 50 percent-owned companies and joint ventures which are accounted for using the equity method. These domestic and foreign investments are in businesses similar to those of GATX's principal subsidiaries. Cash distributions received from affiliates were $71.6 million, $36.4 million, and $37.9 million, in 1997, 1996, and 1995, respectively. These distributions reflect both operating results and return of principal.

For all affiliated companies held at the end of a year, operating results, as if GATX held 100 percent interest, were (in millions):

For The Year	1997	1996	1995
Revenues	**$505.7**	$360.9	$526.8
Net income	**74.4**	57.2	78.8

For all affiliated companies held at the end of a year, summarized balance sheet data, as if GATX held 100 percent interest, were (in millions):

December 31	1997	1996
Total assets	**$3,199.1**	$2,229.3
Long-term liabilities	**910.3**	891.7
Other liabilities	**607.3**	179.9
Shareholders' equity	**$1,681.5**	$1,157.7

NOTE E–FOREIGN OPERATIONS

GATX has a number of investments in subsidiary and affiliated companies which are located in or derive income from foreign countries. Foreign entities contribute significantly to equity in net earnings of affiliated companies. The foreign identifiable assets represent investments in affiliated companies as well as fully consolidated assets for a Canadian railcar subsidiary, a Mexican railcar operation, and foreign lease and loan investments.

Gross Income (In Millions)	1997	1996	1995
Foreign	**$ 188.8**	$ 112.5	$ 71.5
United States	**1,513.1**	1,301.9	1,174.9
	$1,701.9	$1,414.4	$1,246.4

(Loss) Income Before Income Taxes And Equity In Net Earnings Of Affiliated Companies (In Millions)	1997	1996	1995
Foreign	**$ (55.3)**	$ 4.1	$ 3.3
United States	**(32.0)**	124.6	113.7
	$ (87.3)	$ 128.7	$117.0

Equity In Net Earnings Of Affiliated Companies (In Millions)	1997	1996	1995
Foreign	**$ 21.6**	$ 20.3	$26.6
United States	**9.3**	8.1	4.8
	$ 30.9	$ 28.4	$31.4

Identifiable Assets (In Millions)	1997	1996	1995
Foreign	**$ 848.2**	$ 872.4	$ 516.8
United States	**4,099.6**	3,877.8	3,526.1
	$4,947.8	$4,750.2	$4,042.9

Foreign cash flows generated are used to meet local operating needs and for reinvestment. The translation of the foreign balance sheets into U.S. dollars results in an unrealized foreign currency translation adjustment, a component of the cumulative unrealized equity adjustments account.

NOTE F–SHORT-TERM DEBT AND LINES OF CREDIT

Short-term debt and its weighted average interest rate as of year end were (in millions):

December 31	1997		1996	
	Amount	Rate	Amount	Rate
Commercial paper	**$153.8**	**6.34%**	$ 21.0	5.82%
Other short-term borrowings	**238.7**	**6.45%**	222.8	6.11%
	$392.5		$243.8	

Under a revolving credit agreement with a group of banks, GATC may borrow up to $300.0 million. The revolving credit agreement contains various restrictive covenants which include, among other things, minimum net worth, restrictions on additional indebtedness, and requirements to maintain certain financial ratios for GATC. Under the agreement, GATC met these requirements at December 31, 1997. While at year end no borrowings were outstanding under the agreement, the available line of credit was reduced by $26.6 million of commercial paper outstanding. GATC had borrowings of $125.3 million under unsecured money market lines at December 31, 1997. CGTX, GATC's Canadian subsidiary, had bankers acceptances and other short-term borrowings of $55.2 million Canadian dollars at December 31, 1997.

GATX Capital and its wholly owned subsidiaries, Sun Financial and Centron, have commitments under credit agreements with a group of banks for revolving credit loans totaling $373.0 million of which $173.4 million was available at December 31, 1997; the commitment has $199.6 million of outstanding commercial paper and bankers acceptances. GATX Capital's primary credit agreement contains various covenants which include, among other things, minimum net worth, restrictions on dividends, and requirements to maintain certain financial ratios. At December 31, 1997, such covenants limited GATX Capital's ability to transfer net assets to GATX to no more than $58.8 million.

Interest expense on short-term debt was $24.0 million in 1997, $26.2 million in 1996, and $19.4 million in 1995.

NOTE G–LONG-TERM DEBT

Long-term debt (in millions) and the range of interest rates as of the end of 1997 were:

	Interest Rates	Final Maturity	December 31 1997	December 31 1996
Variable rate:				
Term notes	5.931%-8.625%	1998-2002	**$ 67.5**	$ 72.1
Nonrecourse obligations	6.6875%-7.5%	2000-2002	**44.6**	50.2
			112.1	122.3
Fixed rate:				
Term notes	5.4%-10.875%	1998-2012	**2,043.7**	1,952.3
Nonrecourse obligations	5.76%-9.25%	1998-2013	**363.6**	272.8
Industrial revenue bonds	6.625%-7.3%	2019-2024	**87.9**	87.9
Title XI bonds	–	–	**–**	1.6
			2,495.2	2,314.6
			$2,607.3	$2,436.9

Maturities of GATX's long-term debt as of December 31, 1997 for each of the years 1998 through 2002 were (in millions):

	Long-Term Debt
1998	$297.0
1999	276.0
2000	473.7
2001	216.8
2002	256.2

At December 31, 1997, certain technology assets, facilities, aircraft, vessels and warehouse equipment with a net carrying value of $449.4 million were pledged as collateral for $354.5 million of notes and bonds.

Interest cost incurred on long-term debt, net of capitalized interest, was $180.8 million in 1997, $157.5 million in 1996, and $130.6 million in 1995. Interest cost capitalized as part of the cost of construction of major assets was $2.5 million in 1997, $6.8 million in 1996, and $6.2 million in 1995.

NOTE H–OFF-BALANCE SHEET FINANCIAL INSTRUMENTS

In the ordinary course of business, GATX utilizes off-balance sheet financial instruments to manage financial market risk, including interest rate and foreign exchange risk.

At December 31, 1997 GATX had the following off-balance sheet financial instruments (in millions):

Interest Rate Swaps	Notional Amount	Pay Rate/Index	Receive Rate/Index	Maturity
GATX pays fixed, receives floating	$752.6	5.097-7.585%	LIBOR	1998-2001
GATX pays floating, receives fixed	690.0	LIBOR	5.27-7.646%	1998-2006

Currency Swaps	Receive	Deliver	Maturity
Canadian dollar swaps	$146.2	C$198.5	2001-2011
Deutschemark swap	$ 40.5	72.5DM	2002

GATX had the following interest rate hedge activity (in millions):

Interest Rate Swaps	Pay Fixed	Pay Floating
Balance at January 1, 1996	$ 805.5	$1,045.0
Additions	442.4	137.0
Maturities	(340.0)	(45.0)
Balance at December 31, 1996	$ 907.9	$1,137.0
Additions	44.7	–
Maturities	(200.0)	(447.0)
Balance at December 31, 1997	$ 752.6	$ 690.0

GATX uses interest rate swaps and forwards to manage its assets and liabilities, to convert floating rate debt to fixed rate debt (or fixed to floating) and to manage interest rate risk associated with the anticipated issuance of debt. At GATC, interest rate swaps are utilized to better match the cash flow characteristics of its debt portfolio and its railcar leases. Railcar assets are financed with long-term fixed rate debt or through sale-leasebacks. However, the railcar assets are placed on lease with average new lease terms of five years; the average renewal term is three years. Rents are fixed over these lease terms. Interest rate swaps effectively convert GATC's long-term fixed rate debt to fixed rate debt with maturities of three months to three years. Through the swap program, changes in GATC's interest expense are expected to better reflect changes in railcar lease rates. Also, GATX Capital uses interest rate swaps in addition to commercial paper and floating rate medium-term notes to match fund its floating rate lease and loan portfolio with floating rate borrowings.

In its swaps, GATX agrees to exchange, at specific intervals, the difference between fixed and floating rate interest amounts calculated on an agreed upon notional principal amount. The swaps have in effect converted $752.6 million of long-term fixed rate debt into 1-3 year fixed rate debt.

The net amount payable or receivable from the interest rate swap agreements is accrued as an adjustment to interest expense. The fair value of its interest rate swap agreements is an estimate of the amount the company would receive or pay to terminate those agreements. At December 31, 1997, GATX would have received $14.6 million if the swaps were terminated; GATX would have paid $12.8 million if the swaps were terminated at December 31, 1996.

GATX has entered into currency swaps to hedge $146.2 million in debt obligations at its Canadian subsidiaries and $40.5 million in debt obligations at its German subsidiary. The fair market value of its currency swap agreements is an estimate of the amount the company would receive or pay to terminate those agreements. At December 31, 1997, GATX would have received $10.9 million if the swaps were terminated; GATX would have paid $5.9 million if the swaps were terminated at December 31, 1996.

In the event that a counterparty fails to meet the terms of the interest rate swap agreement or a foreign exchange contract, GATX's exposure is limited to the interest rate or currency differential. GATX manages the credit risk of counterparties by dealing only with institutions that the company considers financially sound and by avoiding concentrations of risk with a single counterparty. GATX considers the risk of nonperformance to be remote.

NOTE I–FAIR VALUE OF OTHER FINANCIAL INSTRUMENTS

The following table presents the carrying amounts and estimated fair values of GATX's financial instruments that are recorded on the balance sheet. SFAS No. 107, "Disclosures about Fair Value of Financial Instruments," defines the fair value of a financial instrument as the amount at which the instrument could be exchanged in a current transaction between willing parties.

December 31	1997		1996	
(In Millions):	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Assets:				
Cash and cash equivalents	**$ 77.8**	**$ 77.8**	$ 46.2	$ 46.2
Trade accounts receivables	**161.9**	**161.9**	167.4	167.4
Secured loans	**180.3**	**183.6**	222.6	219.4
Liabilities:				
Accounts payable	**354.7**	**354.7**	312.6	312.6
Short-term debt	**392.5**	**392.5**	243.8	243.8
Long-term debt–variable	**112.1**	**112.1**	122.3	122.3
Long-term debt–fixed	**2,495.2**	**2,592.3**	2,314.6	2,405.7

The following methods and assumptions were used to estimate the fair value of each class of financial instruments:

For cash and cash equivalents, trade receivables, accounts payable, and short-term debt, the carrying amount approximates fair value because of the short maturity of those instruments.

The carrying amount of secured loan investments is stated at the principal amount outstanding plus accrued interest. The fair value of variable rate loans is assumed to be equal to their recorded amounts. The fair value of fixed rate loans is estimated using discounted cash flow analysis, at interest rates currently offered for loans with similar terms to borrowers of similar credit quality.

The carrying amount of variable rate long-term debt reported in the balance sheet approximates fair value. The fair value of fixed rate long-term debt was estimated by performing a discounted cash flow calculation using the note term and market interest rate for each note based on GATX's current incremental borrowing rates for similar borrowing arrangements.

NOTE J–PENSION BENEFITS

GATX and its subsidiaries, exclusive of GATX Logistics, Sun Financial and Centron, maintain several noncontributory defined benefit pension plans (the "pension plans") covering substantially all employees. Benefits payable under the pension plans are based on years of service and/or final average salary. The funding policy for the pension plans is based on an actuarially determined cost method allowable under Internal Revenue Service regulations.

Significant assumptions used in accounting for the Corporation's defined benefit plans were:

	1997	1996-1995
Discount rate	**7.75%**	7.75%
Expected long-term rate of return on assets	**8.75%**	8.75%
Rate of increase in compensation levels	**5.0%**	5.5%

Pension expense was determined based on the funds' status at the beginning of the year. Termination expense was recognized in 1997 as the result of a facility sale. The components of net pension expense were (in millions):

For The Year	1997	1996	1995
Service cost of benefits earned during the period	**$ 6.6**	$ 6.5	$ 6.0
Interest cost on projected benefit obligation	**21.5**	20.3	19.9
Actual gain on plan assets	**(46.8)**	(33.3)	(49.7)
Net amortization and deferral	**24.1**	11.2	28.6
Net termination expense	**2.5**	–	–
Net periodic pension cost	**$ 7.9**	$ 4.7	$ 4.8

The projected benefit obligation was determined based on the funded status at year end. The funded status of the defined benefit plans and the amounts recognized in GATX's consolidated balance sheet were (in millions):

December 31	1997	1996
Actuarial present value of benefit obligation:		
Accumulated benefit obligation –vested	**$232.4**	$230.2
–nonvested	**4.8**	7.2
	237.2	237.4
Effects of projected future compensation increases	**38.9**	37.3
Projected benefit obligation	**276.1**	274.7
Plan assets at fair market value, primarily listed stocks and bonds	**299.1**	290.7
Plan assets in excess of projected benefit obligation	**$ 23.0**	$ 16.0
Unrecognized net gain from past experience different from that assumed	**(25.7)**	(15.1)
Unrecognized net asset from transition to new pension accounting standard	**(.3)**	(.4)
Unrecognized prior service cost	**3.1**	4.1
Net prepaid pension cost included in balance sheet	**$ .1**	$ 4.6

In addition to contributions to its defined benefit pension plans, GATX makes contributions to the multi-employer pension plans of various unions. Further, GATX and its subsidiaries maintain several 401(k) retirement plans which are available to substantially all salaried and certain other employee groups. GATX may contribute to the plans as defined by their respective terms. The contributions to such plans were (in millions):

For The Year	1997	1996	1995
Contributions to GATX's pension plans	**$ 4.4**	$ 6.2	$ 4.4
Contributions to multiemployer pension plans	**1.8**	2.0	1.9
Contributions to 401(k) plans	**4.0**	3.6	3.2

NOTE K–POSTRETIREMENT BENEFITS OTHER THAN PENSIONS

GATX provides health care, life insurance and other benefits for certain retired employees who meet established criteria. Most domestic employees are eligible for health care and life insurance benefits if they retire from GATX with immediate pension benefits under the GATX pension plan. The plans are either contributory or non-contributory, depending on various factors. A discount rate of 7.75% was used to determine the expense (net periodic postretirement benefit cost) and liability (accrued postretirement benefit liability) for all years presented below.

Net periodic postretirement benefit cost, which for 1997 reflects termination expense for a facility sale, included the following components (in millions):

For The Year	1997	1996	1995
Current service cost	**$ .5**	$ .6	$ .5
Interest cost on accumulated postretirement benefit obligation	**5.1**	5.3	5.4
Net amortization and deferral	**(.5)**	(.5)	(.4)
Net termination expense	**1.1**	–	–
Net periodic postretirement benefit cost	**$ 6.2**	$ 5.4	$ 5.5

The accrued postretirement benefit liability, part of Other Deferred Items on GATX's balance sheet, included the following components (in millions):

December 31	1997	1996
Accumulated postretirement benefit obligation:		
Retirees	**$ 59.5**	$ 60.4
Fully eligible active plan participants	**3.1**	3.1
Other active plan participants	**6.2**	6.8
Total accumulated postretirement benefits obligation	**68.8**	70.3
Unrecognized gain	**13.2**	13.7
Accrued postretirement benefit liability	**$ 82.0**	$ 84.0

The health care cost trend rate assumption has a significant effect on the amount of the periodic cost and obligation reported. The trend rate currently assumed for participants under age 65 is 6.0% in 1997 and thereafter. For participants age 65 and older, the assumed trend rate is 5.0% in 1997 and after. An increase in the assumed health care cost trend rates by 1% would increase the net periodic postretirement benefit cost by $.6 million per year, and the accumulated postretirement benefit obligation by $4.0 million.

NOTE L–INCOME TAXES

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes.

Significant components of GATX's deferred tax liabilities and assets were (in millions):

December 31	1997	1996
Deferred tax liabilities:		
Book/tax basis differences due to depreciation	**$343.2**	$378.4
Leveraged leases	**52.4**	67.7
Lease accounting (other than leveraged)	**44.6**	45.0
Other	**52.3**	48.2
Total deferred tax liabilities	**492.5**	539.3
Deferred tax assets:		
Alternative minimum tax credit	**54.0**	58.7
Accruals not currently deductible for tax purposes	**52.5**	54.2
Allowance for possible losses	**47.7**	44.8
Postretirement benefits other than pensions	**28.2**	28.8
Other	**12.5**	13.6
Total deferred tax assets	**194.9**	200.1
Net deferred tax liabilities	**$297.6**	$339.2

At December 31, 1997, GATX had an alternative minimum tax credit of $54.0 million that can be carried forward indefinitely to reduce future regular tax liabilities.

GATX and its United States subsidiaries file a consolidated federal income tax return. Amounts shown as Current - Federal represent taxes payable as determined by the Alternative Minimum Tax. Included in 1997's total deferred tax credit is a $56.5 million deferred tax benefit resulting from Terminals' $185.8 million pretax restructuring charge. Income taxes consisted of (in millions):

For The Year	1997	1996	1995
Current–			
Domestic:			
Federal	**$ 28.0**	$ 24.4	$ 27.9
State and local	**1.1**	2.4	4.6
	29.1	26.8	32.5
Foreign	**3.9**	2.4	(1.1)
	33.0	29.2	31.4
Deferred–			
Domestic:			
Federal	**(45.6)**	18.9	10.3
State and local	**.4**	4.9	3.0
	(45.2)	23.8	13.3
Foreign	**6.7**	1.4	2.9
	(38.5)	25.2	16.2
Income tax (benefit) expense	**$ (5.5)**	$ 54.4	$ 47.6
Income taxes paid	**$ 35.5**	$ 33.6	$ 33.9

The reasons for the difference between GATX's effective income tax rate and the federal statutory income tax rate were:

For The Year	1997	1997(A)	1996	1995
Federal statutory income tax rate	**35.0%**	**35.0%**	35.0%	35.0%
Add (deduct) effect of:				
Corporate owned life insurance	**2.6**	**(1.7)**	(2.0)	(4.5)
State income taxes	**(5.6)**	**3.6**	3.6	4.1
1997 restructuring charges	**(19.0)**	**–**	–	–
Foreign income	**(2.4)**	**1.5**	1.7	1.3
Goodwill amortization	**(2.0)**	**1.3**	1.1	1.1
Minority interest	**(.4)**	**.3**	.3	2.1
Other	**(1.9)**	**1.1**	2.6	1.6
Effective income tax rate	**6.3%**	**41.1%**	42.3%	40.7%

(A) Before restructuring charges

NOTE M–SHAREHOLDERS' EQUITY

GATX's Certificate of Incorporation has authorized 60,000,000 shares of common stock at a par value of $.625 per share and 5,000,000 shares of preferred stock at $1.00 per share. Shares of preferred stock issued and outstanding consist of Series A and B $2.50 Cumulative Convertible Preferred Stock.

Holders of both series of $2.50 Cumulative Convertible Preferred Stock are entitled to receive a cumulative annual cash dividend of $2.50 per share. Each share of such preferred stock may be called for redemption by GATX at $63 per share, has a liquidating value of $60 per share, and may be converted into 2.5 shares of common stock.

A total of 2,463,674 shares of common stock were reserved at December 31, 1997, for the following:

	Shares
Conversion of outstanding preferred stock	65,913
Incentive compensation programs	2,379,261
Employee service awards	18,500
	2,463,674

Holders of $2.50 Convertible Preferred Stock and Common Stock are entitled to one vote for each share held. Except in certain instances, all such classes vote together as a single class.

During 1997, GATX called for redemption all the outstanding shares of its $3.875 cumulative convertible preferred stock, each share of which was convertible into 1.1494 shares of common stock. As a result of the redemption, 3.4 million preferred shares were converted to 3.9 million shares of common.

Transactions in preferred, common, and treasury stock are shown in the following table:

Capital Transactions (in Thousands, Except Number of Shares)	Preferred Stock			Common Stock			Treasury Stock	
	Shares Issued	Par Value	Additional Capital	Shares Issued	Par Value	Additional Capital	Shares	Cost
Balance at January 1, 1995	3,437,835	$ 3,438	$ 162,840	22,685,590	$14,178	$155,222	(2,790,954)	$(47,082)
Add (deduct):								
Conversion of preferred stock into common stock	(6,815)	(7)	(267)	11,467	7	266		
Common stock issued under option, incentive and service award plans				199,350	125	6,769		
Balance at December 31, 1995	3,431,020	$ 3,431	$ 162,573	22,896,407	$14,310	$162,257	(2,790,954)	$(47,082)
Add (deduct):								
Conversion of preferred stock into common stock	(12,315)	(12)	(322)	30,790	19	315		
Common stock issued under option, incentive and service award plans				137,577	86	4,181	915	16
Balance at December 31, 1996	3,418,705	$ 3,419	$ 162,251	23,064,774	$14,415	$166,753	(2,790,039)	$(47,066)
Add (deduct):								
Conversion of preferred stock into common stock	(3,392,340)	(3,392)	(161,563)	3,901,127	2,438	159,183		
Common stock issued under option, incentive and service award plans				274,377	171	13,197	20,319	343
Balance at December 31, 1997	26,365	$ 27	$ 688	27,240,278	$17,024	$339,133	(2,769,720)	$(46,723)

NOTE N–INCENTIVE COMPENSATION PLANS

The 1995 Plan The GATX Corporation 1995 Long Term Incentive Compensation Plan (the 1995 Plan) contains provisions for the granting of non-qualified stock options, incentive stock options, stock appreciation rights (SARs), cash and common stock individual performance units (IPUs), restricted stock rights, restricted common stock and performance awards. An aggregate of 1,500,000 shares of common stock may be issued under the 1995 Plan. As of December 31, 1997, 692,312 shares are available for issuance under the 1995 Plan.

Non-qualified stock options and incentive stock options may be granted for the purchase of common stock for periods not longer than ten years from the date of grant. The exercise price will be not less than the higher of market value at date of grant or par value of the common stock. All options become exercisable commencing on a date no earlier than one year from the date of grant.

SARs can be issued in conjunction with non-qualified or incentive stock options and entitle the holder to receive the difference between the option price and fair market value of the common stock at time of exercise, either in shares of common stock, cash, or a combination of the two at GATX's discretion. Exercise of SARs results in cancellation of the underlying options. During 1997, no SARs were issued and none were outstanding.

IPUs may be granted to key employees and, if predetermined performance goals are met, will be redeemed in cash and common stock, as applicable, with the redemption value determined in part by the fair market value of the common stock as of the date of redemption and in part by the extent to which pre-established performance goals have been achieved. A total of 8,382 IPUs were granted during 1997 and 30,235 IPUs in total were outstanding at the end of the year. In 1997, 13,903 shares of common stock and $452,364 in cash were paid to the participants in redemption of previously issued IPUs.

Restricted stock rights may be granted to key employees entitling them to receive a specified number of shares of restricted common stock. The recipients of restricted common stock are entitled to all dividends and voting rights, but the shares are not transferable prior to the expiration of a "restriction period" as determined at the discretion of the Compensation Committee of the Board of Directors. Performance Awards are granted to employees who have been granted restricted stock rights or restricted common stock, but these Awards may not exceed the market value of the restricted common stock when restrictions lapse. The Performance Awards provide cash payments if certain criteria and earnings goals are met over a predetermined period. During 1997, one grant of 4,000 shares of restricted stock was made.

The 1985 Plan Stock options are outstanding under the GATX Corporation 1985 Long Term Incentive Compensation Plan (the 1985 Plan), as amended, but no additional options, stock or awards may be issued thereunder. At December 31, 1997, 176,142 shares of common stock were reserved for grants previously made under the 1985 Plan.

Data with respect to both plans, including the range of exercise prices per share for 1997 and 1996, are set forth below:

	Number of Shares Under Stock Option Plans 1997	1996	Price Per Share
Outstanding at January 1	1,667,150	1,425,475	$16.3450-50.5625
Granted	305,500	374,200	49.8125-66.9375
Exercised	(282,475)	(117,775)	16.3450-47.8750
Canceled	(29,525)	(14,750)	41.8125-66.9375
Outstanding at December 31	1,660,650	1,667,150	$19.47-66.9375
Outstanding at December 31, by year granted:			
1987	–	22,000	$19.47
1988	20,000	45,000	25.655
1989	51,100	79,800	29.9375
1990	45,500	71,250	19.94
1991	106,650	149,900	26.13-28.1875
1992	101,150	142,500	25.50
1993	164,150	210,600	37.6875
1994	238,200	268,650	41.8125
1995	282,650	306,500	47.5625-50.5625
1996	353,150	370,950	46.3125-49.8125
1997	298,100	–	54.875-66.9375
Total	1,660,650	1,667,150	$19.47-66.9375
Options exercisable at December 31	1,145,433	1,207,950	
Options available for future grant at December 31	692,312	986,190	

Accounting for Stock Options GATX has elected to follow Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" (APB 25) in accounting for its employee stock options. Under these guidelines, no compensation expense is recognized because the exercise price of GATX's employee stock options equals the market price of the underlying stock on the date of grant.

Pro forma information regarding net income and earnings per share is required by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation" (SFAS 123), and has been determined as if GATX had accounted for its employee stock options under the fair value method. The fair value for these options was estimated at the date of grant using a Black-Scholes option pricing model with the following assumptions for 1996 and 1997: dividend yield of 3.6% for 1996 and 2.8% for 1997; volatility factor of the expected market price of GATX's common stock of .15 for 1996 and .156 for 1997; expected life of the option of five years for 1996 and four years for 1997; and weighted average risk-free interest rate of 6.1% for 1996 and 5.9% for 1997.

The Black-Scholes model, one of the most frequently referenced models to value options, was developed for use in estimating the fair value of traded options which have no vesting restrictions and are fully transferable. In addition, option valuation models require the input of highly subjective assumptions, including expected stock price volatility. Because GATX's employee stock options have characteristics significantly different from those of traded options, and because changes in the subjective input assumptions can materially affect the fair value estimate, in management's opinion the existing models do not necessarily provide a reliable single measure of the fair value of its employee stock options.

For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the option vesting period. The resultant pro forma net (loss) income and (loss) earnings per share were (in millions except for earnings per share information):

	1997	1996
Pro forma net (loss) income	**$(52.2)**	$101.6
Pro forma (loss) earnings per share:		
Basic	**$(2.61)**	$ 4.38
Diluted	**$(2.61)**	$ 4.15

Because SFAS 123's provisions are prospective (retroactive application is prohibited), awards granted prior to 1995 are not considered in the above pro forma amounts. Additionally, because options granted in 1996 and 1997 generally are granted late in the year and vest over a three year period, neither the 1996 nor 1997 pro forma amounts reflect a full annualized effect.

NOTE O–COMMITMENTS, CONTINGENCIES AND CONCENTRATIONS OF CREDIT RISK

GATX's revenues are derived from a wide range of industries and companies. Approximately 19% of total revenues are generated from the transportation or storage of products for the chemical industry; for similar services, 18% of revenues are derived from the petroleum industry. The sale and leasing of technology equipment represents about 17% of total revenues. GATX also provides services and products to the chemical, petroleum, and technology markets through its joint ventures, which are accounted for under the equity method. In addition, approximately 10% of GATX's assets consist of commercial aircraft operated by various domestic and international airlines.

Under its lease agreements, GATX retains legal ownership of the asset except where such assets have been financed by sale-leasebacks. With loan financings, the loan is collateralized by the equipment. GATX performs credit evaluations prior to approval of a lease or loan contract. Subsequently, the creditworthiness of the customer and the value of the collateral are monitored on an ongoing basis. GATX maintains an allowance for possible losses and other reserves to provide for potential losses which could arise should customers become unable to discharge their obligations to GATX and to provide for permanent declines in investment value.

At December 31, 1997, GATX had commitments of $167 million for orders and options by aircraft joint ventures for interests in 26 new aircraft to be delivered between 1998-2001. In addition, GATX has issued $182 million of residual and rental guarantees. GATX also has firm commitments to acquire railcars and to upgrade terminal and repair facilities totaling $209 million.

GATX and its subsidiaries are engaged in various matters of litigation and have a number of unresolved claims pending, including proceedings under governmental laws and regulations related to environmental matters. Two of GATX's subsidiaries are involved in litigation arising out of a chemical leak and resulting tank car fire in New Orleans, Louisiana. In another matter, an affiliate of a subsidiary of the company is the subject of both litigation and unasserted claims related to the conversion of certain aircraft from passenger to freighter configuration. While the amounts claimed are substantial and the ultimate liability with respect to such litigation and claims cannot be determined at this time, it is the opinion of management that damages, if any, required to be paid by GATX and its subsidiaries in the discharge of such liability are not likely to be material to GATX's consolidated financial position or results of operations.

NOTE P–RESTRUCTURING CHARGES

During 1997 strategic decisions resulted in a $225 million ($163 million after-tax) restructuring charge related to GATX Terminals and GATX Logistics. Terminals' portion of the restructuring charge is based on the decision to close, sell or revalue certain domestic and foreign terminal locations to reflect permanent changes in market conditions. The charge primarily represents the write-down of asset values with minor costs related to closure activities. The charge at GATX Logistics represents the write-down of goodwill to reflect the impairment of certain acquired facilities. The carrying values of certain assets at GATX Terminals and GATX Logistics were written down to fair value as described in Note A.

(In Millions)	*Pre-tax*	*After-tax*
GATX Terminals	$185.8	$123.8
GATX Logistics	39.0	39.0
Total	$224.8	$162.8

QUARTERLY RESULTS OF OPERATIONS (UNAUDITED)

GATX Corporation and Subsidiaries

In Millions, Except Per Share Data	Gross Income	Operating Expenses and Depreciation	Net (Loss) Income	Net (Loss) Income Per Share (A)	Net (Loss) Income Per Share, Assuming Dilution (A)
1997					
First Quarter	**$ 394.6**	**$ 241.8**	**$ 31.2**	**$ 1.37**	**$ 1.27**
Second Quarter	**434.7**	**279.0**	**30.2**	**1.26**	**1.22**
Third Quarter	**430.9**	**273.2**	**28.0**	**1.15**	**1.12**
Fourth Quarter	**441.7**	**291.9**	**(140.3)**	**(5.74)**	**(5.74)(B)**
Total	**$1,701.9**	**$1,085.9**	**$ (50.9)**	**$(2.55)**	**$(2.55)(B)**
1996					
First Quarter	$ 303.6	$ 193.3	$ 24.7	$ 1.06	$ 1.01
Second Quarter	337.8	212.6	25.7	1.11	1.05
Third Quarter	367.8	222.8	33.4	1.49	1.37
Fourth Quarter	405.2	263.5	18.9	.77	.77
Total	$1,414.4	$ 892.2	$102.7	$ 4.43	$ 4.20

(A) Quarterly results may not be additive, as per share amounts are computed independently for each quarter and the full year based on the respective weighted average common shares and common stock equivalents outstanding.
(B) Conversion of preferred stock is excluded from computation of diluted (loss) earnings because of antidilutive effect.

Common and Preferred Stock Information GATX common shares are listed on the New York, Chicago and London Stock Exchanges under ticker symbol GMT. Shares of both series of $2.50 Cumulative Convertible Preferred Stock are listed on the New York and Chicago Stock Exchanges. During 1997, all outstanding shares of the $3.875 cumulative convertible preferred stock were called for redemption.

The approximate number of holders of record of Common Stock and $2.50 Cumulative Convertible Preferred Stock as of February 27, 1998 was 3,248 and 125, respectively. The following table shows the reported high and low sales price of GATX common and preferred shares on the New York Stock Exchange, the principal market for GATX shares, and the dividends declared per share:

	Common Stock		$2.50 Cumulative Convertible Preferred Stock		$3.875 Cumulative Convertible Preferred Stock	
	High	Low	High	Low	High	Low
1997						
First Quarter	**$50.25**	**$47.625**	**$125.50**	**$125.50**	**$59.75**	**$56.50**
Second Quarter	**58.625**	**48.50**	**125.50**	**123.50**	**68.00**	**57.06**
Third Quarter	**67.5625**	**57.75**	**167.00**	**123.50**	**n/a**	**n/a**
Fourth Quarter	**72.5625**	**60.50**	**180.00**	**167.00**	**n/a**	**n/a**
Annual Dividends Declared	**$1.84**		**$2.50**		**$1.9375**	
1996						
First Quarter	$51.25	$44.00	$124.25	$124.25	$59.50	$54.25
Second Quarter	48.375	43.00	116.50	116.25	58.50	53.88
Third Quarter	49.125	43.00	116.50	116.25	59.38	55.25
Fourth Quarter	51.25	46.125	125.50	119.00	59.50	56.25
Annual Dividends Declared	$1.72		$2.50		$3.875	

SELECTED FINANCIAL DATA

GATX Corporation and Subsidiaries

In Millions, Except Per Share Data
Results of Operations
Gross income
Costs and expenses
(Loss) income before income taxes and equity in net earnings of affiliated companies
Income taxes (benefit)
Income before equity in net earnings of affiliated companies
Equity in net earnings of affiliated companies
Net (loss) income
Per Share Data
Net income (loss) applicable to common stock, as adjusted
Per share of common stock and common stock equivalents:
Net (loss) income
Shares used in computation (in thousands)
Per share assuming conversion, except in 1997 and 1993, of all outstanding preferred stock:
Net (loss) income, diluted
Shares used in computation (in thousands)
Dividends declared per share of common stock
Financial Condition
Total assets
Total long-term debt and capital lease obligations
Shareholders' equity
Common shareholders' equity
Common shareholders' equity per share

(A) 1997's restructuring charge was $224.8 million on a pre-tax basis, $162.8 million on an after-tax basis.

SELECTED FINANCIAL DATA

GATX Corporation and Subsidiaries

	1997 (A)	1996	1995	1994	1993
	$1,701.9	$1,414.4	$1,246.4	$1,155.0	$1,086.9
	1,789.2	1,285.7	1,129.4	1,037.2	982.5
	(87.3)	128.7	117.0	117.8	104.4
	(5.5)	54.4	47.6	48.8	51.4
	(81.8)	74.3	69.4	69.0	53.0
	30.9	28.4	31.4	22.5	19.7
	$ (50.9)	$ 102.7	$ 100.8	$ 91.5	$ 72.7
	$ (57.6)	$ 89.5	$ 87.6	$ 78.2	$ 59.4
	$ (2.55)	$ 4.43	$ 4.38	$ 3.94	$ 3.03
	22,542	20,189	20,002	19,843	19,594
	$ (2.55)	$ 4.20	$ 4.14	$ 3.79	$ 3.03
	22,542	24,462	24,365	24,166	19,594
	$ 1.84	$ 1.72	$ 1.60	$ 1.50	$ 1.40
	$4,947.8	$4,750.2	$4,042.9	$3,650.7	$3,392.1
	2,819.4	2,664.1	2,092.5	1,805.1	1,713.8
	655.4	774.9	717.8	662.4	589.9
	654.7	609.2	551.8	496.1	423.6
	26.72	29.58	26.88	24.30	20.78

The following discussion analyzes GATX's comparative performance for the years ended December 31, 1996 and 1995. This information should be read in conjunction with the consolidated financial statements on pages 38, 40, and 42. The discussion of comparative results of GATX's operations for the years ended December 31, 1997 and 1996 is presented in the management discussion and analysis on pages 31, 32, 33, 39, 41, 43, 44 and 45 and the financial data of business segments on pages 34 through 37.

GATX reported record net income of $103 million or $4.20 per share, on a diluted basis, for the year ended December 31, 1996 compared to $101 million or $4.14 per share for 1995. On a basic basis, earnings per share were $4.43 compared to $4.38 in the prior year. This improvement was principally due to record earnings at Transportation and Capital. Terminals' net income decreased substantially from the prior year. However, ASC and Logistics' earnings were relatively flat with 1995. GATX's return on total equity for 1996 was 13.8% compared to 14.6% in 1995.

Railcar Leasing and Management Transportation's gross income of $428 million increased $67 million from 1995. The mid-1996 acquisition of the remaining 55% interest in CGTX, Transportation's Canadian railcar affiliate, accounted for $27 million of the increase; previously the 45% interest had been accounted for as an equity investment. The remainder of the revenue increase is due to the full year effect of a record number of railcar additions in 1995, another strong year of fleet additions in 1996, and an increase in average rental rates. In addition to the 8,700 cars at CGTX, over 4,400 cars were added in 1996. At the end of 1996, Transportation had 73,200 railcars on lease in North America. With a total fleet of 77,500 cars, utilization ended the year at 95%, up from 94% utilization at the end of 1995.

Net income of $68 million increased 8% over 1995, reflecting the higher revenues and the impact of CGTX partially offset by higher repair costs and other operating and ownership expenses. Operating margins improved slightly as growth in revenues exceeded the increase in fleet repair costs and SG&A expenses.

Repair costs increased 10% due to the expanded fleet size, but decreased as a percentage of revenue from 1995, in part due to the efficiencies from the major service center upgrade program completed last year. The percentage of cars repaired at Transportation's service centers increased to 71% from 65% last year, indicating a decreased dependence on outside contract repair shops. Throughput days, the time it takes a railcar to be repaired through the Transportation service center network, declined from an average of 38 days in 1995 to 32 days in 1996. Asset ownership costs, consisting of operating lease rents, depreciation, and interest expense, increased as a result of the growing fleet. Equity in earnings of affiliates declined from 1995 due to the aforementioned change in accounting for CGTX.

Financial Services Capital's gross income of $337 million was $119 million or 55% higher than 1995. All major revenue categories, including lease and interest income, gains on sales of assets, and fees were higher. In addition, equipment sales added $36 million to gross income. Equipment sales represents a new revenue category arising from the October 1996 acquisition of Centron, a technology equipment supplier. Lease income grew to $196 million in 1996 compared to $140 million in 1995 due to the full year effect of the October 1995 acquisition of Sun Financial and new volume. Gains on sales of assets were $36 million, a small increase from the prior year. Fee income was a record $32 million, $13 million higher than the prior period due to a high level of residual sharing on managed asset sales. Fee income includes residual sharing, portfolio management, and transaction arrangement income. Gains on sales of assets and transaction based fees do not occur evenly from period to period.

Net income was a record $46 million, a 39% increase from last year, due to the higher revenue, improved earnings from affiliates, and a lower loss provision, offset in part by increased interest, operating and SG&A costs. Equity earnings of $14 million increased $2 million primarily from the earnings of Locomotive Leasing Partners, a joint venture established in 1996 with EMD/General Motors. The provision for possible losses of $13 million decreased $5 million from last year. Capital's allowance for possible losses of $114 million represents 6.6% of net investments, compared to 6.5% last year. Interest expense was higher as debt balances increased to fund the net growth in the portfolio, although average interest rates were modestly lower than last year. Increased operating costs include the cost of equipment sales, the counterpart to the new revenue category, as well as increased depreciation and operating lease expense to support the larger investment base. Selling, general, and administrative expenses increased due to the full year effect of the late 1995 Sun Financial acquisition, the Centron acquisition, and higher human resource costs.

While significant commercial aircraft investments were completed in 1996, Capital also has managed its portfolio to diversify its asset mix further, resulting in a relatively lower concentration of aircraft as a percent of total portfolio investments. Aircraft decreased to 33% of the portfolio from 39% in 1995, while technology, rail, and marine assets all increased.

Terminals and Pipelines Terminals' gross income for 1996 of $298 million was 5% less than 1995 resulting from general softness in both the domestic and international petroleum markets. The petroleum business environment since the second half of 1995 has been characterized by backwardated markets, historically low petroleum inventory levels, and lower pricing due to increased competition. Backwardation indicates that the economics in the petroleum futures market as characterized by the spread between spot and future prices, are not providing an incentive to store product.

While throughput of petroleum products remained strong, rates declined. Throughput for 1996 of 634 million barrels at wholly-owned locations increased 5% from 602 million barrels last year. Average utilization for the year was 86%, down from 1995's average of 88%, with 1996 year-end utilization at 89%. Balanced against the difficult petroleum terminaling markets were continued strong chemical demand as well as very good pipeline results. Terminals' pipelines serve the growing Nevada and Florida markets, and those pipelines continue to be enhanced and expanded.

Terminals' net income of $13 million declined from last year's $31 million. The difficult petroleum terminaling markets resulted in decreased operating margins at a number of key locations, including New York Harbor, United Kingdom, Houston, and Los Angeles. Although Terminals has been able to reduce its overall cost base, results have been impacted by rationalization costs and transformation initiatives; these initiatives continue to address on-going cost reduction and productivity enhancements. Overall, total operating costs and SG&A expense decreased $2 million from 1995. Fixed asset ownership costs, which include depreciation and interest, increased to 34% of revenue from 29% in 1995 due to significant facility and infrastructure investments. Equity in earnings of affiliates of $12 million decreased $3 million from last year primarily from the effects of lower petroleum storage, particularly in Singapore, partially offset by higher earnings from a Japanese affiliate which completed its rebuilding from the 1995 Kobe earthquake.

Logistics and Warehousing Logistics' gross income of $267 million decreased 2% from 1995 due to the impact of lost business partially offset by increased business with existing contract customers. Total warehousing capacity at year-end 1996 of 21.5 million square feet decreased 12% from last year's 24.4 million square feet in part due to the planned effort to eliminate low margin public business. Space utilization was 91% at year end compared to 97% last year. Empty space was particularly troublesome in certain East Coast markets.

Net income of $.9 million was $.4 million higher than last year despite the lower revenues due to an improved margin percentage and lower reserve needs. Margin for 1996 was 9.6% compared with 9.1% in 1995, though significant empty space costs compressed the improvement. In addition, information systems costs continued to increase to better meet customer needs.

Logistics continued to implement its plan of pursuing contract business and reducing low margin public business. By emphasizing key customer relationships, Logistics successfully expanded volume with several important existing customers. However, this strategy is evolutionary and may take several years to improve earnings significantly.

Great Lakes Shipping ASC's gross income in 1996 was $85 million, a 1% increase from the prior year. Revenue increased despite lower tonnage carried, as freight rates per ton increased, both for normal increases as well as the pass-through of a portion of the increase in sharply higher fuel costs. Tonnage carried in 1996 totaled 24.6 million tons, a 4% decrease from the 25.5 million tons carried last year; adverse weather conditions in early 1996 hampered the start of the navigation season, but all customer needs and requirements were satisfied. Customer demand remained strong throughout the 1996 season. Iron ore and limestone tonnage increased while coal tonnage decreased.

Net income of $6.8 million decreased slightly from 1995 primarily due to the lower tonnage carried, lower interest income on invested funds, and higher fuel costs, offset in part by favorable operating and claims experience. Contribution margin per ton was 2% greater than the prior year, reflecting a change in mix of commodities carried.

The environment on the Great Lakes remains competitive, with supply and demand for vessel capacity approximately in balance. ASC carried an estimated 22% of the total U.S. flag Great Lakes tonnage in 1996, down slightly from last year. U.S. flag tonnage was 110 million tons, an increase of 5 million tons from 1995. Iron ore cargoes represented 46% of ASC's tonnage, an increase from 40% last year. Raw steel production was approximately 88% of capacity in late 1996, consistent with 1995 utilization.

Corporate and Other Corporate and Other net expense of $31 million decreased $2 million from 1995 primarily due to the reversal of a reserve following the successful defense of previously reported litigation against GATX.

GATX LOCATION OF OPERATIONS

GATX Corporation and Subsidiaries

GENERAL AMERICAN TRANSPORTATION CORPORATION

Headquarters
Chicago, Illinois

Business Offices
Valencia, California
Atlanta, Georgia
Chicago, Illinois
Hackensack, New Jersey
Philadelphia, Pennsylvania
Pittsburgh, Pennsylvania
Houston, Texas
Mexico City, Mexico
Calgary, Alberta
Toronto, Ontario
Montreal, Quebec

Major Service Centers
Colton, California
Waycross, Georgia
East Chicago, Indiana
Hearne, Texas
Tierra Blanca, Mexico
Red Deer, Alberta
Montreal, Quebec
Moose Jaw, Saskatchewan

Mini Service Centers
Muscle Shoals, Alabama
White Springs, Florida
Terre Haute, Indiana
Plaquemine, Louisiana
Midland, Michigan
Ivorydale, Ohio
Masury, Ohio
Catoosa, Oklahoma
Copper Hill, Tennessee
Freeport, Texas (2)

Mobile Service Units
Mobile, Alabama
Colton, California
Macon, Georgia
East Chicago, Indiana
Good Hope, Louisiana
Carteret, New Jersey
Las Cruces, New Mexico
Albany, New York
Galena Park, Texas
Olympia, Washington
Tierra Blanca, Mexico
Red Deer, Alberta
Montreal, Quebec
Moose Jaw, Saskatchewan

Joint Ventures
Hamburg, Germany
Zug, Switzerland

GATX CAPITAL CORPORATION

Headquarters
San Francisco, California

Offices
Burbank, California
Tampa, Florida
Chicago, Illinois
Eden Prairie, Minnesota
Sydney, Australia
Toronto, Canada
Blagnac, France
Frankfurt, Germany
Singapore, Republic of Singapore
Tokyo, Japan

Joint Ventures
Sydney, Australia
San Francisco, California
LaGrange, Illinois
Toronto, Ontario
Zug, Switzerland
Elstree, United Kingdom
Woking, United Kingdom

GATX TERMINALS CORPORATION

Headquarters
Chicago, Illinois

Domestic Terminals
Carson, California
Los Angeles, California
Richmond, California
San Pedro, California
Orlando, Florida
Port Everglades, Florida
Tampa, Florida
Argo, Illinois
Carteret, New Jersey
Paulsboro, New Jersey
Staten Island, New York
Portland, Oregon (2)
Philadelphia, Pennsylvania
Galena Park, Texas
Pasadena, Texas
Seattle, Washington
Vancouver, Washington

International Terminals
Avonmouth, United Kingdom
Belfast, United Kingdom
Eastham, United Kingdom
Glasgow, United Kingdom
Grays, United Kingdom
Leith, United Kingdom
Runcorn, United Kingdom

Terminal Joint Ventures
Antwerpen/Lillo, Belgium
Lanshan, China
Kawasaki, Japan
Kobe, Japan
Yokohama, Japan
Altamira, Mexico
Jurong Town, Singapore
Pulau Busing, Singapore
Barcelona, Spain
Bilbao, Spain
Tarragona, Spain
Valencia, Spain
Seal Sands, United Kingdom
Wymondham, United Kingdom

Pipelines

Calnev Pipe Line
Adelanto, California
Barstow, California
Colton, California
Las Vegas, Nevada

Central Florida Pipeline
Orlando, Florida
Tampa, Florida

Pipeline Joint Ventures
Olympic Pipeline
Renton, Washington

Manchester Jet Line
Manchester, United Kingdom

GATX LOGISTICS, INC.

Headquarters
Jacksonville, Florida

Locations
Little Rock, Arkansas
Los Angeles, California
Stockton, California
Walnut, California
Denver, Colorado
Danbury, Connecticut
Jacksonville, Florida
Atlanta, Georgia
Chicago, Illinois
Normal, Illinois
Richmond, Indiana
Indianapolis, Indiana
Lexington, Kentucky
Shreveport, Louisiana
Baltimore, Maryland
Grand Rapids, Michigan
Kalamazoo, Michigan
Gulfport, Mississippi
St. Louis, Missouri
Greensboro, North Carolina
Winston-Salem, North Carolina
New York, New York
Syracuse, New York
Akron, Ohio
Cleveland, Ohio
Columbus, Ohio
Oklahoma City, Oklahoma
Philadelphia, Pennsylvania
Dallas, Texas
El Paso, Texas
Fort Worth, Texas
Clearfield, Utah
Chesapeake, Virginia
Seattle, Washington
Racine, Wisconsin
Toronto, Canada
Mexico City, Mexico

Joint Venture
Santiago, Chile

AMERICAN STEAMSHIP COMPANY

Headquarters
Williamsville, New York

Regional Office
Toledo, Ohio

Vessels
M/V Indiana Harbor
M/V Walter J. McCarthy,Jr.
M/V St. Clair
M/V American Mariner
M/V H. Lee White
M/V Charles E. Wilson
M/V Adam E. Cornelius
M/V American Republic
M/V Buffalo
M/V Sam Laud
Str. John J. Boland

GATX OFFICERS AND DIRECTORS

GATX Corporation and Subsidiaries

GATX OFFICERS

Ronald H. Zech
Chairman, President and Chief Executive Officer

David B. Anderson
Vice President, Corporate Development, General Counsel and Secretary

William L. Chambers
Vice President, Human Resources

Gail L. Duddy
Vice President, Compensation and Benefits

David M. Edwards
Vice President Finance, Chief Financial Officer

Brian A. Kenney
Vice President and Treasurer

Ralph L. O'Hara
Controller

GATX BOARD OF DIRECTORS

James M. Denny[1,2]
Managing Director, William Blair Capital Partners, LLC

Richard M. Fairbanks[1,4]
Managing Director of Domestic & International Issues, Center for Strategic & International Studies

William C. Foote[3,4]
Chairman, President and Chief Executive Officer, USG Corporation

Deborah M. Fretz[3,4]
Senior Vice President, Lubricants and Logistics, Sun Company, Inc.

Richard A. Giesen[2,3]
Chairman and Chief Executive Officer, Continental Glass & Plastic, Inc.

Miles L. Marsh[1,4]
Chairman, President and Chief Executive Officer, Fort James Corporation

Charles Marshall[2,3]
Retired: Former Vice Chairman of the Board, American Telephone and Telegraph Company

Michael E. Murphy[1,2]
Retired: Former Vice Chairman and Chief Administrative Officer, Sara Lee Corporation

Ronald H. Zech
Chairman, President and Chief Executive Officer, GATX Corporation

[1]*Member, Audit Committee*
[2]*Member, Compensation Committee*
[3]*Member, Nominating Committee*
[4]*Member, Retirement Funds Review Committee*

GATX SUBSIDIARIES

General American Transportation Corporation
D. Ward Fuller, President

GATX Capital Corporation
Joseph C. Lane, President

GATX Terminals Corporation
Anthony J. Andrukaitis, President

GATX Logistics, Inc.
Joseph A. Nicosia, President

American Steamship Company
Ned A. Smith, President

GATX CORPORATE INFORMATION

GATX Corporation and Subsidiaries

ANNUAL MEETING

Friday, April 24, 1998, 9:00 a.m.
GATX Corporation
500 West Monroe Street
Chicago, Illinois 60661-3676

FINANCIAL INFORMATION AND PRESS RELEASES:

A copy of the company's annual report on Form 10-K for 1997 and selected other information are available without charge.

Corporate information and press releases may be found at **http://www.gatx.com**

A variety of current financial information, historical financial information, press releases and photographs are available at this site.

GATX press releases may be obtained by automated PR Newswire Company News On-Call's automated fax service at (800)758-5804. The company identification number for GATX is 105121.

INQUIRIES

Inquiries regarding dividend checks, the dividend reinvestment plan, stock certificates, replacement of lost certificates, address changes, account consolidation, transfer procedures and year-end tax information should be addressed to GATX Corporation's Transfer Agent and Registrar:

ChaseMellon Shareholder Services, L.L.C.
Overpeck Centre
8 Challenger Road
Ridgefield Park, NY 07660
Telephone: (800) 851-9677
Internet: http://www.chasemellon.com

Information relating to shareholder ownership, dividend payments, or share transfers:

Janet M. Dongarra, Assistant Corporate Secretary
Telephone: (312) 621-6603
Fax: (312) 621-6647
Email: jmdongarra@gatx.com

GATX Corporation welcomes and encourages questions and comments from its shareholders, potential investors, financial professionals and the public at large. To better serve interested parties, the following GATX personnel may be contacted by telephone, fax and/or writing.

To request published financial information and financial reports, contact:

GATX CORPORATION

Investor Relations Department
500 West Monroe Street
Chicago, Illinois 60661-3676
Telephone: (800) 428-8161

Automated request line for materials: (312) 621-6300

Janet Bower, Communications Coordinator
Telephone: (312) 621-4297
Fax: (312) 621-6698
Email: jmbower@gatx.com

Analysts, institutional shareholders and financial community professionals:

George S. Lowman, Director of Communications
Telephone: (312) 621-6599
Email: gslowman@gatx.com

Robert C. Lyons, Manager Investor and Public Relations
Telephone: (312) 621-6493
Email: rclyons@gatx.com
Fax: (312) 621-6698

Questions regarding sales, service or lease information:

General American Transportation Corporation
(312) 621-6564

GATX Capital Corporation–(415) 955-3200

GATX Terminals Corporation–(312) 621-8032

GATX Logistics, Inc.–(904) 396-2517

American Steamship Company–(716) 635-0222

INDEPENDENT AUDITORS

Ernst & Young LLP

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